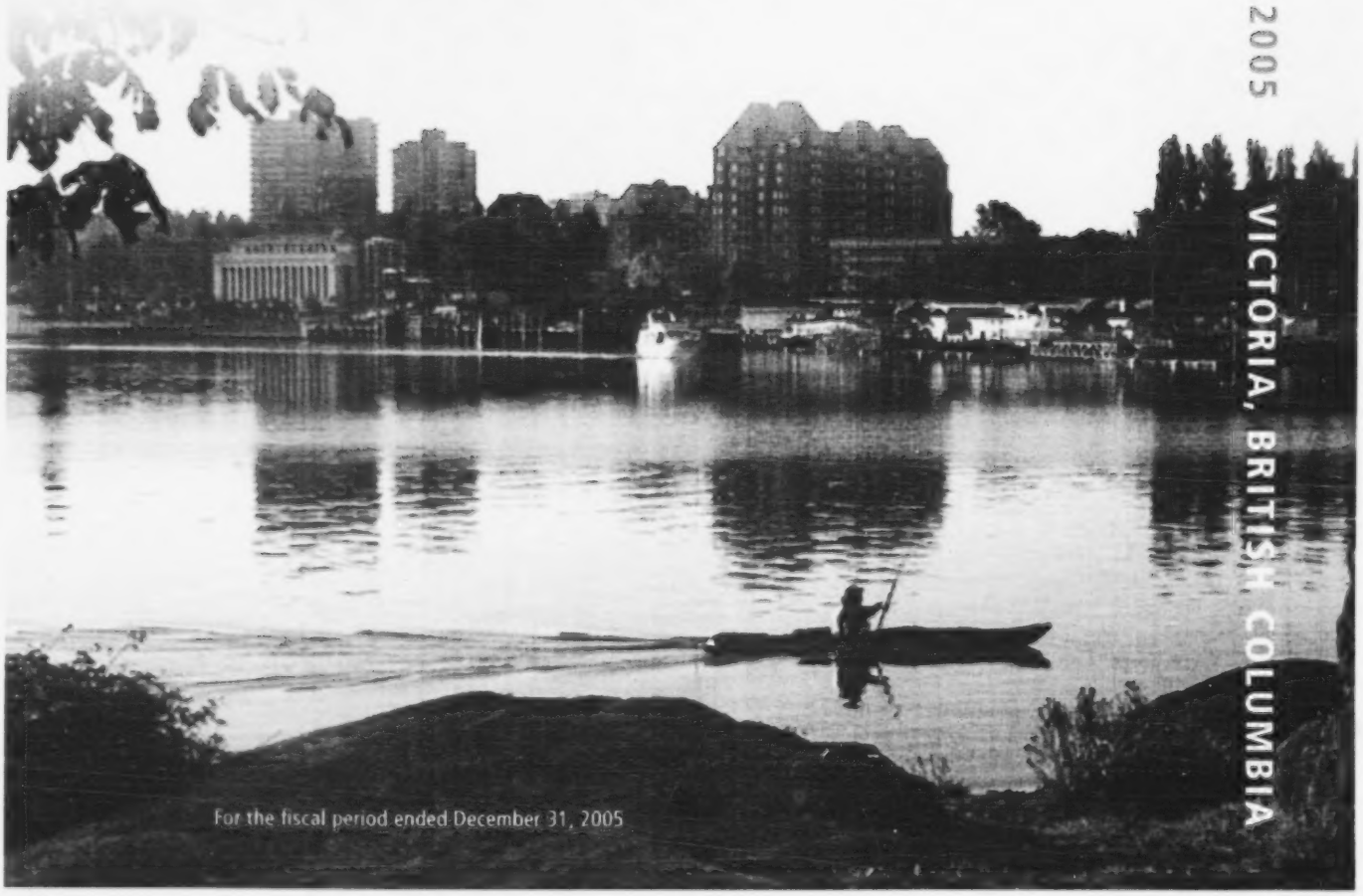
THE CITY OF VICTORIA

BUILDING COMMUNITY

ANNUAL REPORT 2005

VICTORIA, BRITISH COLUMBIA



For the fiscal period ended December 31, 2005

2008-04961/

Building Community

Located on the southern most tip of Vancouver Island, Victoria is known for its old world charm, endless outdoor recreation opportunities, and arts and cultural activities.

Each day, the City of Victoria's 1,100 employees are actively making Victoria better in many ways. From the provision of clean water, garbage collection, and emergency services to recreation classes, social planning and land-use development, first-rate City services are the foundation for building a healthy, safe, and sustainable community.

Staff's continuous commitment to provide exemplary services is consistent and reflective of City Council's strategic vision to make Victoria the best community to live, work and play in Canada.

We're building a community that is even stronger than it is now; one that embraces all individuals, provides meaningful opportunities, both economic and lifestyle, and protects our pristine, natural environment for generations to come.

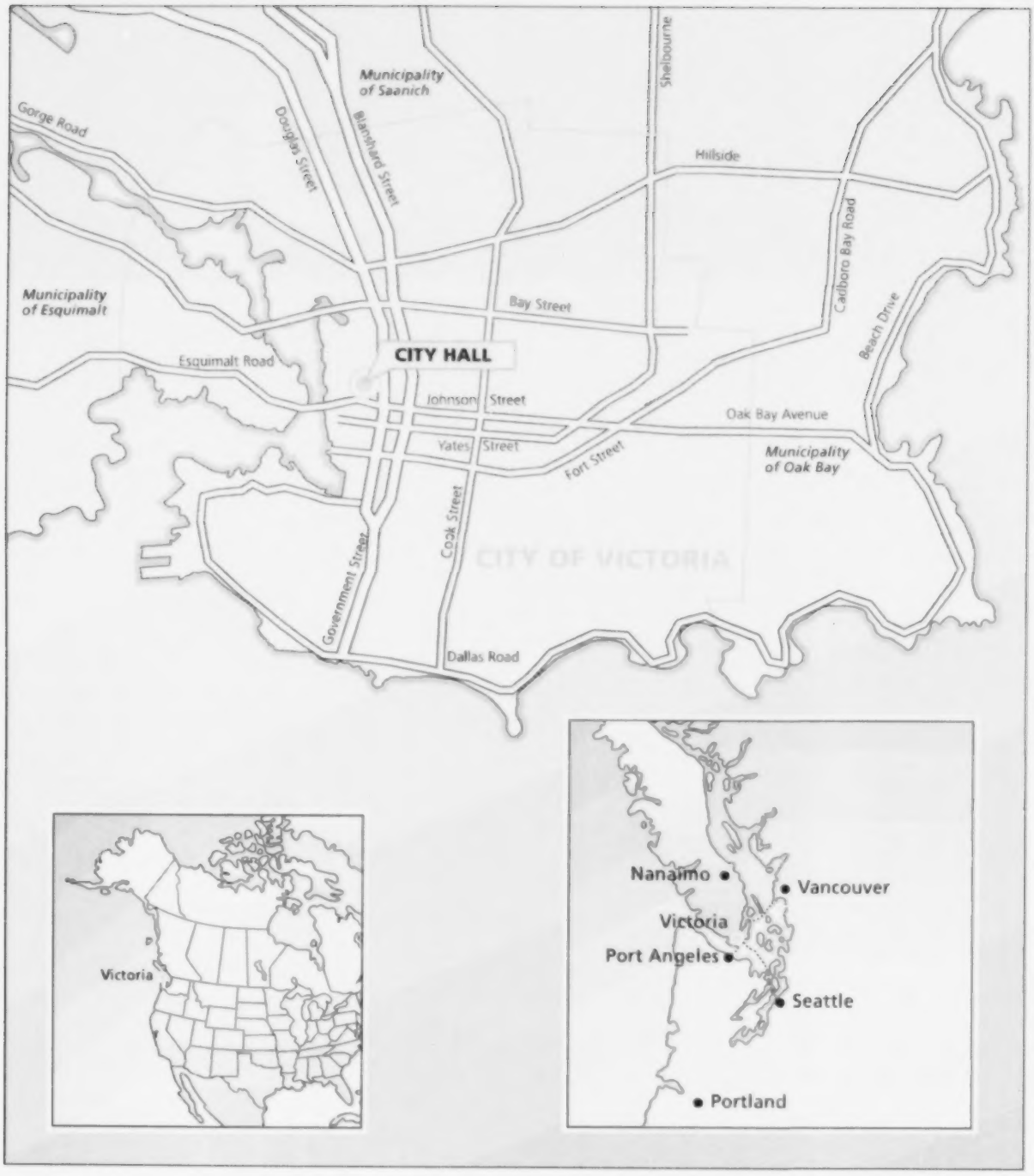
We're proud of where Victoria came from but we're even more excited about where we're going.

City of Victoria, British Columbia Annual Report 2005

January 1 - December 31, 2005

This document prepared by:
Corporate Communications and Finance Department
of the City of Victoria

City of Victoria Map



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Message from the Mayor

Mayor
Alan Lowe

Dear Fellow Victorians,

On behalf of Victoria City Council, I am proud to provide you with this annual report that documents how the City of Victoria has worked towards achieving the goals that you, our residents, have directed us towards.

We are proud of the relationship we have with our community and that we have successfully managed to keep our budget balanced while providing the essential services we need to keep our neighbourhoods strong.

In 2005, we continued our work at becoming the most liveable city in Canada by concentrating on the core values all Victorians share: safety and security for our neighbourhoods, jobs and opportunities, protection of our heritage and our environment, and supporting our most vulnerable citizens.

Step by step, we are realizing that vision.

- In 2005, the opening of the Save-On-Foods Memorial Centre invigorated the north end of downtown and is providing us with first-rate concerts and sporting events right in our own backyard. It also helped expand the City's extensive community recreation programming.

- The Government of Canada formally recognized Victoria's vibrant arts and cultural community by awarding us the 2005 Cultural Capital Award. This resulted in $500,000 of new funding to further enhance our talented artistic community.

- This past year, we partnered with the Downtown Victoria Business Association, the police, and local business owners and supported the relocation of the Open Door to the 700-block Johnson Street. A Good Neighbour Policy was created that allows businesses and social services to successfully co-exist in the same neighbourhood.

• In 2005, we celebrated the groundbreaking of the Burnside Gorge Community Centre. We also completed the sale of the Dockside lands where construction has now begun on what is slated to be an environmentally-sound, sustainable community.

• In our effort to protect the environment, we completed the bicycle lanes on Caledonia and Fort streets to encourage greener methods of transportation.

In 2006, we will work even harder to continue to provide the excellent quality of service that makes Victoria an enviable city to live in.

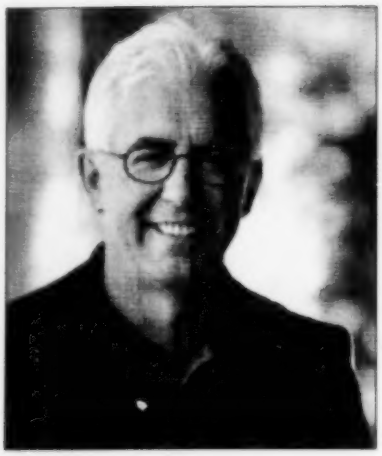
Sincerely,

Alan Lowe

Mayor Alan Lowe

Mayor Alan Lowe at the opening of the Finlayson Artificial Turf Field

City Manager's Message



City Manager
Joe Martignago

At a recent staff session to discuss methods of employee development and attraction, a question was posed to staff. "What does it mean to work for the City of Victoria?" A worker from our engineering streets division responded, "Pride. I drive home each day and can tell that I played a role in making Victoria better."

It reminded me that regardless of where you work in the City; we each play a part in building this great community. And each employee's actions makes certain Victoria runs smoothly for the thousands, who live, visit or work here each day.

This year's annual report focuses on our accomplishments of the past year and highlights how the City of Victoria continues to build a strong, safe and sustainable community for the citizens of Victoria.

Now, 'building community' can mean different things. With regard to the recent relocation of the Open Door drop-in centre, City staff worked closely with the Open Door, the Downtown Victoria Business Association and neighbouring businesses. The development of a "Good Neighbour Policy" to address concerns about security and cleanliness became a blueprint for how groups could work together make this relocation work for everyone. A strong community must embrace and accept the needs of all individuals and agree that we all play a role in making these situations successful.

One our most significant accomplishments of the past year was the opening of the Save-On-Foods Memorial Centre. In this case, building community simply meant building a building. But it is what that building offers, that makes the community better. It is a building that serves as a place for proud parents to watch their children learn to skate, a venue to enjoy hockey games and concerts, and it is the cornerstone to the revitalization of north downtown.

Internal to the City, we continue to find new ways of offering services. We've struck new inter-disciplinary teams, known as RESPOND teams, to increase departmental collaboration on pressing community issues. Quarterly, we host employee "think tank" sessions to identify ways we can do things better and we continue to upgrade our technology and equipment to provide faster, easier service and in the most sustainable way possible.

We strive to provide municipal services in the best way possible and we take great pride in doing so.

Once again, I express my sincere gratitude to the proud, talented employees who work to make Victoria greater each day.

Sincerely,

Joe Martignago
City Manager

City of Victoria Corporate Organization Chart

* *The Police Department reports to the Police Board which is chaired by the Mayor.*

Mayor and Council

The Mayor and Council of the City of Victoria were each elected for a three-year term in the municipal election held in November 2002. Each member is appointed to standing portfolios, City and regional committees and is responsible for a particular Victoria neighbourhood.

Chris Coleman

Portfolio: Parks and Recreation; Finance/ Personnel; Economic Development
Regional Committee: Victoria Parks and Recreation Foundation; CRD Parks; Regional Growth Strategy
City of Victoria Committee: Advisory Parks and Recreation Committee; Victoria Athletic Commission
Neighbourhood: Rockland/Blanshard/ Hillside/Quadra

Helen Hughes

Portfolio: Social Planning
Regional Committee: Family Court; Greater Victoria Public Library Board; Capital Region Action Team on Sexually Exploited Youth
City of Victoria Committee: Advisory Social Planning Committee; Honourary Citizens Committee
Neighbourhood: Oaklands

Denise Savoie

Portfolio: Environment
Regional Committee: CRD; CRD Environment Committee; CRD Roundtable on the Environment; Royal and McPherson Theatres Society; CRD Performance Measures Committee
City of Victoria Committee: Environment and Shoreline Advisory Committee; Advisory Cycling Committee
Neighbourhood: Victoria West/ Burnside/Gorge

Rob Fleming

Portfolio: Transportation; Finance/ Personnel - Chair; Youth Liaison
Regional Committee: CRD; CRD Water Supply System; Provincial Capital Commission; Greater Victoria Airport Authority
City of Victoria Committee: Advisory Transportation Committee; Youth Liaison
Neighbourhood: James Bay

Bea Holland

Portfolio: Harbour; Finance/Personnel; Seniors Liaison
Regional Committee: Board of Cemetery Trustees; Greater Victoria Labour Relations; Regional Transit Committee
City of Victoria Committee: Seniors Liaison
Neighbourhood: Fairfield/Gonzales

Mayor Alan Lowe

Portfolio: Arts and Culture; Emergency Planning
Regional Committee: Capital Regional District (CRD); CRD Arts Committee; Regional Transit Commission; Royal and McPherson Theatres Sub-committee of the Finance, Corporate and Inter-governmental Committee; CRD Hospital Board
City of Victoria Committee: Victoria Conference Centre; Victoria Police Board

Dean Fortin

Portfolio: Housing
Regional Committee: CRD Water Supply System; Sludge Management Advisory Committee
City of Victoria Committee: Advisory Housing Committee; CREST
Neighbourhood: Fernwood

Charlayne Thornton-Joe

Portfolio: Downtown
Regional Committee: CRD Water Supply System; Tourism Victoria
City of Victoria Committee: Downtown Advisory Committee
Neighbourhood: Downtown/Harris Green

Pamela Madoff

Portfolio: Planning and Heritage
Regional Committee: Provincial Capital Commission; Royal and McPherson Theatres Society
City of Victoria Committee: Advisory Design Panel; Advisory Planning Commission; Heritage Advisory Committee; Public Art Advisory Committee; Victoria Civic Heritage Trust; Victoria Heritage Foundation
Neighbourhood: South and North Jubilee/North Park

Council members, from left to right: Chris Coleman, Helen Hughes, Denise Savoie, Rob Fleming, Bea Holland, Mayor Alan Lowe, Dean Fortin, Charlayne Thornton-Joe, Pamela Madoff

A Community For Everyone

A Community for Everyone

Each service the City of Victoria offers exists to improve the quality of life of Victoria citizens. To do this, we recognize the importance of identifying and appreciating our assets - the individuals, local organizations and institutions that make up our neighbourhoods. We all play a part in building a stronger community.

A strong, safe, healthy community is dependant on the collaboration and input of the community itself.

Victoria Urban Development Agreement

Recognizing that there are some community issues that a municipality can't solve on its own, the City of Victoria set out in 2004 to pursue an urban development agreement for Victoria. An agreement between federal, provincial and municipal governments to focus on specific initiatives together, the process has led to more public dialogue on pressing issues, and increased funding and government cooperation on community projects in Victoria. The Agreement will initially focus on the issues with greatest impact on the core of the region, Victoria's downtown.

- An unprecedented public consultation effort was undertaken to solicit input and ideas from the community about what they felt were the most important issues in the community, and those that required the support and focus of multiple levels of government.
- In just one year, the City of Victoria secured over $900,000 from various levels of government and private sector organizations for various initiatives in the downtown.
- Improved relationships with other levels of government has also resulted in a significant reduction in staff time and effort versus the traditional, and often labour intensive route of developing and applying for government grants.

Harm Reduction

- Received funding from Health Canada under its Drug Strategy Community Initiatives Fund to expand the City's Harm Reduction Policy Framework.
- Produced a discussion paper entitled "Fitting the Pieces Together" that identified harm reduction initiatives supported by current national and international research.
- Information sessions were held to educate the public about models and strategies used in European cities to reduce the harms caused by drug use and addiction.

Special Events

- Several new events were introduced: Downtown Street Hockey Classic, the Paradigm Community Arts Festival, the Island Food Fare, the Canada Day Run, the Terry Fox Anniversary Celebration and the Tall Ships Festival.
- Assisted in the development of an Access Guide to special events that focused on accessibility

Community Gardens Policy

- An extensive community consultation with advisory committees and gardening organizations, resulted in a Community Gardens Policy that recognizes the need to establish community gardens throughout the city, values community gardens as a public amenity, encourages backyard, rooftop and workplace gardening as a complement to community gardens and educates citizens about the importance of protecting local food production.

Beautification

- Upgraded banner hardware downtown and added banners to create an exciting entry to the City along Blanshard Street.
- Other beautification initiatives included new benches and tree grates for the downtown and more electrical outlets installed in the streets to enable more seasonal lighting.

Homelessness Initiatives

- Active participant on the Premier's Task Force on Homelessness, Mental Health and Addictions, successfully securing provincial funding for Our Place—the redevelopment of the Open Door and Upper Room facilities serving the homeless.
- Worked with the Open Door, drop-in centre, to find a temporary location for its services and coordinated the development of a Good Neighbour protocol in cooperation with the Open Door, the Downtown Victoria Business Association and Victoria Police Department. Leveraged approximately $180,000 in Provincial and Federal funding to assist the Open Door with its services.
- Council approved a $20,000 grant enabling the Out of the Rain Night Shelter, an important temporary shelter providing 30 beds for youth 15-25 years. This funding leveraged approximately $47,000 in Provincial support to continue operations in 2005/06.

Extreme Weather Protocol

- Participated for the second year in a collaborative Extreme Weather Protocol with shelters and social service agencies to expand shelter beds during the winter.
- Expanded the "trigger" to include a range of extreme weather conditions including zero degrees, heavy rain, wind, and snow.

Victoria Housing Trust Fund

Created the Victoria Housing Trust Fund to develop family and affordable rental housing and promote affordable home ownership for first-time home buyers in the City of Victoria.

Dockside Green

Developed and finalized, in partnership with the developer of Dockside Green, the terms for the developer's commitment to integrate non-market and market affordable housing in the Dockside Green development being constructed in Victoria West.

Active Living

87% of Victorians rate their quality of life as very good

Save-On-Foods Memorial Centre Opening

In March 2005, the 7,000 seat Save-On-Foods Memorial Centre officially opened its doors to host concerts, sporting events and community recreation programs. Home of the ECHL Victoria Salmon Kings, and a new venue for international concert tours, the centre is a welcome addition to the Capital Region.

In the first year of operation the arena has realized:

- 80 events with over 500,000 spectators attending
- 1,700 hours of annual ice time and 300 hours of dry floor time
- Over 11,000 minor hockey participants
- 941 hours rented to community groups
- 3,000 admissions for drop-in public programs and over 750 participants for registered recreation programs

Recreation Highlights

- A partnership with neighbouring municipalities, the Vancouver Island Tennis Association and Tennis BC, made full use of the City's tennis courts for the South Vancouver Island Tennis League. Four successful summer tennis tournaments were offered through with a record 120 individuals registered for tennis clinics, camps and lessons.
- Market demand initiated several new and exciting outdoor pursuit programs and they've seen considerable enrollment since inception. 38 outdoor programs were offered in the fall including: adventures in kayaking, nature programs, gardening, fly-fishing, and mountain biking.
- A welcome new addition to the Crystal Pool and Fitness Centre, the "Fit Pit" opened in April 2005. Featuring state-of-the art gym equipment, this area focuses on cardiovascular fitness and muscular endurance with nearly 60 enthusiasts using it daily.

Special Events

- Ford World Men's Curling Championships, held at the Save-On-Foods Memorial Centre, recorded attendance over 117,000 with an economic spin-off of $20 million.
- National Youth Week and the Vee Dub Sk8 Competition took place at the Vic West Skate Park. 1,500 spectators watched 95 competitors, including seven women, perform a variety of stunts for the enthusiastic crowd.
- Designed and implemented the "Eat Well, Get Moving" Program with the Health and Recreation Alliance of Victoria to encourage citizens to increase the number of servings of fruit and vegetables consumed and physical activity each day. 15,000 citizens and 14 schools participated.

Active Living

Finlayson Artificial Turf Field

Officially opened a new $1.2 million artificial turf sports field at Topaz Park through a Canada/BC Infrastructure contribution of $600,000 and a City of Victoria contribution of $400,000. Remaining funds were raised by funding partners including local businesses and sports organizations.

The traditional grass surface was converted to an artificial turf surface enabling year-round, all-weather play. The new surface will generate an additional 3,216 hours of playing time, equivalent to the maximized use of almost five traditional sports fields. The synthetic field will reduce annual water consumption by over 14 million litres, a financial savings of approximately $6,000 per year.

Burnside Gorge Community Centre Ground-breaking

- Partnered with Province of BC and Government of Canada to secure funding for a new 14,000 square foot Burnside Gorge Community Centre to be located overlooking Cecelia Ravine Park.
- Burnside Gorge Community Association also initiated a major fund raising effort and will contribute $500,000 towards this much anticipated neighbourhood facility.
- Opening is anticipated for late 2007.

Paws In Parks

- Established nine pilot park areas for off-leash dogs at Redfern, Alexander, Arbutus, Victoria West, Topaz, Oswald parks, as well as areas of Clover Point, Dallas Road and Gonzales Beach.
- Supported by a "Paws in Parks" education program, off-leash areas were equipped with appropriate signage, doggie bags and waste containers to support responsible use.
- An evaluation of the pilot park areas will be conducted in 2006.

Park Enhancements

- Installation of new playground equipment in Oaklands, Topaz, Tod and MacDonald parks
- Conducted safety audit and improvements to Banfield Park resulting a dramatic increase in parks visitors
- Introduced new lighting and irrigation in Haegert Park, located at the corner of Chambers and Yukon streets in Fernwood neighbourhood
- Installed cast bronze Terry Fox monument at Mile Zero in Beacon Hill Park

More Greenways

Greenways are an important strategy in ensuring that neighbourhoods connect, the population has ample opportunity to walk and cycle, and the natural biodiversity of the community is maintained. In 2005, strategies to increase the number and quality of city greenways included:

- Initiated the planning and design for the Harbour Pathway between Rock Bay and Fisherman's Wharf.
- Named the downtown walkway between Centennial Square and Fisgard Street as Lee Mong Kow Way. A plaque was installed here to honour Mr. Lee, an important figure in the early Chinese Community in Victoria.
- Awarded two new greenways matching grants to help fund improvements to the Ryan Street connector and Blanshard Community Centre's Community Garden.
- Initiated planning for a First Nations interpretive walkway around the Inner Harbour.
- Added Pemberton Trail to the Victoria Greenways Plan.

Expansion of Signature Hanging Basket Program

- Installed an additional 250 of Victoria's signature hanging baskets in the downtown core, for a total of 1,347 baskets. Nursery staff stepped up production and grew, from seed, an additional 6,250 plants in the same timeframe as years past.

An Evolving City

Nearly 39% of all businesses in the Capital Region are located within the City of Victoria

Serving a metropolitan area of 325,000, Victoria's location, infrastructure and services, connect the city, and the region, to the world. While we continue to draw world-wide appreciation for our preservation of heritage and character, we are garnering increasing acknowledgment of our commitments to sustainability.

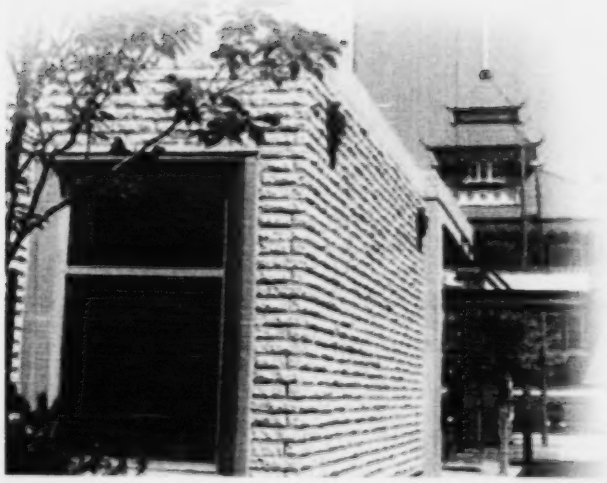
Planning, development and regulatory staff guide individuals through the processes necessary to ensure that proper approvals and permits are in place, regulations are being followed, and developments in the city are consistent with the sustainable vision we all share for Victoria.

Development Statistics

- Rezoning Applications: 34
- Development Permits and Development Variance Permits: 44
- Board of Variance Applications: 51
- Heritage Alteration Permits: 30
- Heritage Designations: 13
- Business Licences : $1,236, 525
- 66% construction value increase over 2004, building, plumbing and electrical permits were up $2.2 million for a total property value of $130.9 million.
- Introduced automated process to expedite business applications

Policy Enhancements

- Developed secondary suite policy and initiated public consultation
- Completed Phase One of Green Building Policy
- Completed Phase One of Harbour Plan implementation
- Strengthened duplex regulations
- Updated zoning bylaw
- Updated land-use procedures bylaw



Bylaw Enforcement

- Over 18,000 calls for service were fielded by the Bylaw Enforcement office
- Victoria Animal Control Services investigated 2,203 incidents resulting in 263 verbal warnings, 663 written warnings and 91 municipal tickets
- Continued to focus on enforcement of nuisance properties
- Co-developed RESPOND, an integrated service team to "fast-track" internal co-ordination processes, resulting in effective solutions to community issues.

Revitalization of North Downtown

- Focus remained on the redevelopment and enhancement of downtown north. The most recent and much anticipated addition is the Save-On-Foods Memorial Centre.

Downtown Victoria Business Association

- Continued to work closely with the newly formed Downtown Victoria Business Association to promote downtown as a desirable place for our residents and visitors, a sought after location for business and an exciting investment opportunity.

An Evolving City

Dockside Green Development

Dockside, an 11.6-acre stretch of waterfront land in the heart of Victoria, was feared defunct due to its industrial past. Recognizing the innovative potential for this property, in October 2004 a request for proposals (RFP) was issued to remediate and redevelop the site. After a comprehensive community consultation process, led by the City, a developer's proposal was selected for Dockside Green that comprised one million square feet of mixed-use buildings with a focus on ecological, social and economic responsibility, or, in developers' terms, a "triple bottom line" (TBL) philosophy. The Dockside development aims to become North America's first LEED (Leadership in Energy and Environmental Design) Platinum-certified community.

Once complete, the Dockside Green will be a community of approximately 2,500 people incorporating the very highest in green standards. To be built over 10-12 years, it is a $350 million project that will include residential, live/work, hotel, retail, office, light industrial uses and numerous public amenities. As a result, the project, and the City in particular, has received numerous awards:

- Award of Excellence Planning Institute of BC: Conferred to the City of Victoria in April 2005 in honour of outstanding accomplishments in the field of planning.
- Award for Planning Excellence, Neighbourhood Planning–Canadian Institute of Planners: Conferred to the City of Victoria in July 2005
- Brownie Award–Green Design and Technological Innovation: Conferred to the Dockside Green Partnership and the City of Victoria in October 2005 by the Canadian Urban Institute
- Brownie Award–Best Overall Project: Conferred to the Dockside Green Partnership and The City of Victoria in October 2005 by the Canadian Urban Institute

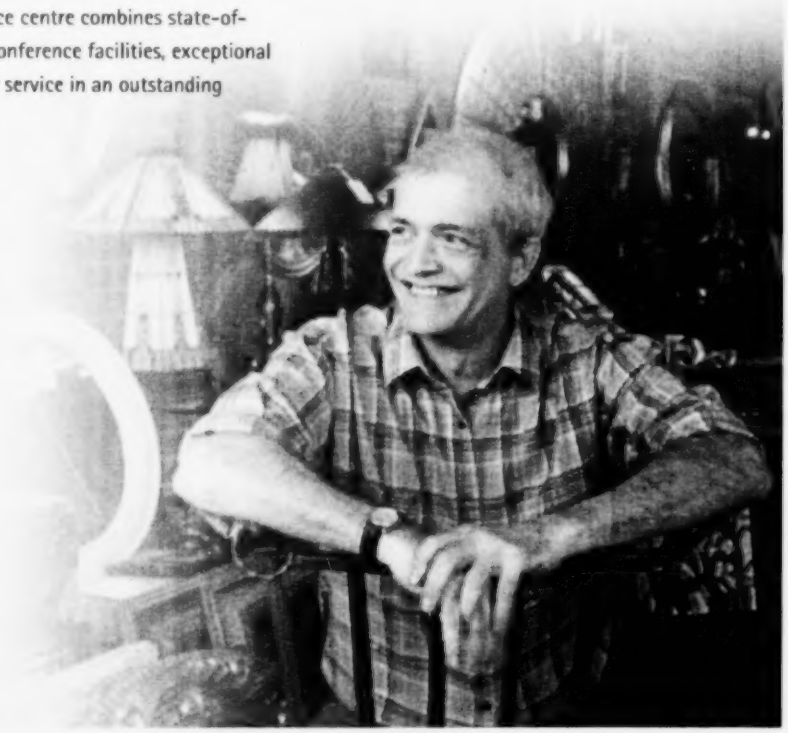
Victoria Conference Centre

One of 17 convention facilities in Canada and only five in British Columbia, the Victoria Conference Centre, managed by the City of Victoria, hosts over 230 events annually. Although one of the smallest convention facilities in Canada; Victoria has one of the highest occupancy rates.

Located on the inner harbour, attached to the Fairmont Empress Hotel, our conference centre combines state-of-the-art conference facilities, exceptional customer service in an outstanding setting.

Postive Economic Impact

- Over $40 million in direct economic impact annually with an additional spin-off value to local service providers of upwards of $6 million annually
- 2005 was a record year for the Victoria Conference Centre, attracting larger and longer conferences for increased economic benefit
- Increasing number of international conferences are choosing to use Victoria Conference Centre
- Additional strategic alliances with post secondary, health and business sectors are working to attract conferences to Victoria
- Partnerships to garner matching dollars for marketing activities
- Development of core competencies resulted in enhanced service quality



A Sustainable Community

Located in a prized natural setting, the City of Victoria is firmly committed to minimizing the community's impact on the environment. Be it through waste reduction efforts, harbour protection programs or the recently strengthened tree preservation bylaw, the City prides itself on ensuring our natural assets are preserved for future generations to enjoy.

Starting At "Home"

Although our primary focus is on reducing environmental impacts within the community, we continually look for ways to reduce our own operational impacts within City facilities. Over the past year:

- An energy retrofit of our City buildings was completed to identify ways to reduce the amount of energy required to light and heat our buildings. Through a conversion to LED lights and heating efficiencies the City has reduced green house gas emissions by hundreds of tonnes, as well as saving over $30,000 annually in energy costs.
- The City's fleet of vehicles got greener. In July, the City of Victoria made a commitment to lower emissions with the addition of two Smart cars to the City fleet. Requiring less gas to operate than traditional fleet vehicles, staff are encouraged to carpool and use the gas-efficient cars, rather than the traditional fleet trucks and vans available.

• We led a pilot project that offered biodiesel, an alternative fuel made from plant based oils, to all regional organizations with vehicle fleets. The "One Tank" Challenge offered biodiesel at the same price as regular diesel and exceeded the target of 100 participants.

Clean Waterways

The City of Victoria continues to lead the country in the management of stormwater quality. Recent installation of stormwater rehabilitation units to treat the water that runs through the streets and into the storm drain system is innovative, but it is also proving very effective. Discharges that used to flow directly into the ocean are now screened for oils, chemicals and debris.

In 2005, the City also undertook the task of replacing approximately 150 undersized, road-side catch basins – curbside openings that collect rainwater and act as entry points to the storm drain system- on several of Victoria's major transportation corridors to improve the quality of stormwater discharged into the harbour.

The City Of Gardens... and Trees

Although we're known as the City of Gardens due to our mild year round climate and the thousands of "green thumbs" that reside in Victoria, we could easily be known as the City of Gardens and Trees, based on all of the work the municipality and community do to protect trees within the city.

Unfortunately, Victoria has one of the rarest and most threatened urban forests in the Pacific Northwest, but it gives us all the more reason to develop strong, progressive initiatives to protect these valuable natural assets.

• In 2005, Council approved one of the province's strongest Tree Preservation Bylaws to protect trees on private property. Those deemed significant due to their species, age, location, or size are protected from unnecessary removal or harm. A full-time Tree Preservation Officer is now available to assist homeowners in identifying and protecting trees included within the bylaw.

• Armed with the comprehensive information collected in the 2004 inventory of street trees, Parks staff continued proactive maintenance of City's renowned boulevard trees to manage pests and disease as well as identify opportunities for more trees to be planted. 128 trees were planted in 2005.

• Victoria was the first municipality in British Columbia to introduce an integrated pest management (IPM) program for reducing pesticide use on City-owned property. The policy continues today and has been modeled by other municipalities in Canada. Pesticide use is at an all-time low of 97% since reduction strategies were introduced in 1989. In 2006, building on the success of the IPM policy for City-owned lands, Council and staff will consider the implementation of a bylaw and education program for pesticide reduction on private property within City boundaries.

A Sustainable Community

More Greenspace For Future

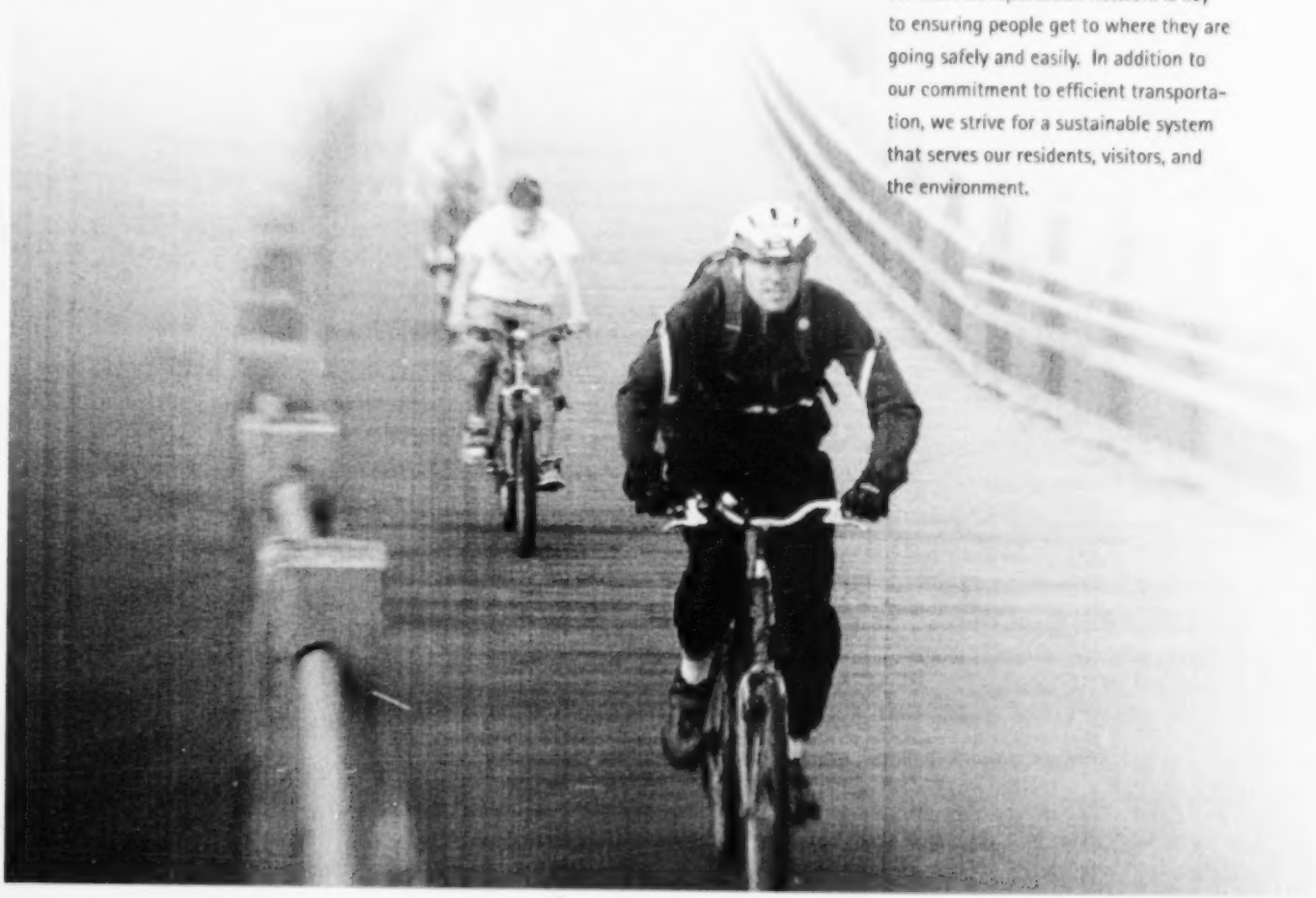
Although Greater Victoria has one of the greatest "parks-to-people" ratios in North America, at one acre for every 20 residents, continued development and an increased population means the demand and value of existing parks has never been greater. The City has many initiatives in place to manage and plan for these demands.

- The Parks Master Plan kicked off in 2005. A plan to develop a strategic framework for managing the city's park system for the next several years, the first of many public meetings was held in December to receive community input and outline the process by which this plan will be developed.

- Many of the City's parks contain remnants of the once wide-spread Garry Oak system, Cottonwood bog, Douglas fir forest and riparian zones. To preserve this habitat, over the past year, staff increased their focus on protecting these rare and vulnerable areas through staff and employee education, invasive species removal and vegetation control.

Making Travel Safer, Simpler and Easier on the Environment

With over 74,000 residents in Victoria, and another close to 100,000 people that visit downtown Victoria each day, an efficient transportation network is key to ensuring people get to where they are going safely and easily. In addition to our commitment to efficient transportation, we strive for a sustainable system that serves our residents, visitors, and the environment.



In an effort to reduce the number of cars on the roads, we've taken great measures to improve sidewalks for pedestrians and runners, mothers with strollers and individuals in wheelchairs. In 2004, City Council endorsed a vision of Victoria that is green, clean, and walkable.

* An important and popular east-west route for cyclists, Fort Street connects the downtown with the Royal Jubilee Hospital, the municipality of Oak Bay, Camosun College, and the University of Victoria. Phase One of the Fort Street Bicycle Lane project was completed in 2005. Fort Street was noted in the 1995 Bicycle Master Plan as being one of three streets in the city containing key portions of the bikeway network but requiring significant improvements.

The installation of bicycle lanes on Fort Street has greatly improved this corridor for cycling. Bike lanes were also introduced on Caledonia Street.

- The City continues to upgrade sidewalks, crosswalks and traffic signals for those choosing to leave the car at home and try walking or biking to their destination.
- In areas of greatest concern, landscaped medians and traffic calming circles are resulting in slower traffic speeds while maintaining capacity. Physical speed reduction measures such as reduced lane width and centre medians have been shown to be an effective form of speed control and collision reduction.

Protection and stewardship of the natural environment is key to maintaining the exceptional quality of life Victorians enjoy

A Cultural Capital of Canada

Designated a Cultural Capital of Canada for 2005, the City was awarded matching funds of almost half a million dollars from the Department of Canadian Heritage, Government of Canada. Seven new cultural initiatives focused on the theme "Celebrating our Diversity" were planned with community partners to showcase Victoria's rich history, cultural diversity and talented artistic community.

2005

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Harbour First Nations Interpretive Program

Expected to be completed in summer 2006, work began on an interpretive walkway around the City's Inner Harbour. The significance and awareness of local First Nations culture, art and heritage will be highlighted by eight site markers at historically significant locations.

Tall Ships Visit Inner Harbour

Event planning assistance, and a financial grant and in-kind support, made the first visit of the very popular Tall Ships possible in June 2005. Very successful, the inaugural four-day festival hosted 37,706 paid attendees and generated $5.2 million in economic spin-off.

Victoria's First International Arts Symposium

Started planning for the first Victoria International Arts Symposium, an unprecedented gathering of local, national and international artists to be held October 27-30, 2006. The theme "Artists of Conscience" will explore how an artist's work is impacted by their awareness of and involvement in vital and sometimes controversial social issues.

Community Public Art Program

Work with neighbourhoods that were keen to undertake small scale community art projects resulted in the development of a community heritage mural on the underside of a road overpass in Burnside Gorge, a community stepping stones project for children and adults placed in James Bay and an Oaklands Green mosaic project.

Artists-in- Residence Program

Shaped a new program to place professional artists in Victoria neighbourhoods to work with community volunteers to identify art opportunities in a variety of disciplines. Four projects were supported by grants awarded to local neighbourhoods:

- "*Youth Arts Activation Project*" targeting youth ages 12-17 in Blanshard neighbourhood
- Book of essays, poems and artworks awarded to Fairfield neighbourhood

- Podcast for youth downloading radio programs on the internet awarded to North Park neighbourhood
- *"Storytelling our Lives"*, a community multicultural play building on immigrant women's stories awarded to North Park neighbourhood

Targeted Art And Culture Marketing

In partnership with Tourism Victoria, an extensive market research study was conducted to provide a better understanding of local and potential visitor markets. This information will inform future program and publication development. A new arts and cultural festival guide was introduced in 2005.

Twin City Anniversary Celebrations

2005 was a noteworthy year for Victoria and three of it's four twin cities. It was the 25th anniversary of Victoria's relationship with Suzhou, China, 20th anniversary with Morioka, Japan; and the 15th anniversary of the formal relationship with Khabarovsk, Russia. The City also enjoys a twin city relationship with Napier, New Zealand. Twin City relationships encourage economic, education and cultural benefits for both cities.

Victoria is known as the City of Festivals, hosting no less than 22 annual events between February and November

Behind the Scenes

Although most municipal services are apparent within our daily lives, there is plenty of work that occurs behind the scenes that helps the city run smoothly and effectively. Whether it is safety training to ensure City staff stay healthy, or improved financial policies to reduce future debt, there is a large share of unseen work that plays a big role in ensuring effective service delivery.

Business Planning

In 2005, each department developed a departmental business plan, outlining service goals, and work plans for coming year. Business plans support the City's corporate strategic plan to ensure programs and goals are integrated to support corporate focus.

Improved Financial Position

We continue to improve the City's financial position through strong business systems and capital planning.

- Restructured City reserve funding formula and developed comprehensive Reserve Fund Policy to ensure reserves are properly funded and actuarially sound. Recent KPMG audit noted City's commitment to improve reserves and allocations for future expenditures has resulted in a much stronger financial position compared to years past.

• We're making a conscious effort to improve the presentation of financial information to make it easier for citizens to access and understand. In 2004, the City of Victoria received the Government Finance Officers Association Award for excellence in financial reporting.
• Financial reports are now Public Sector Accounting Board compliant .
• Developed a meaningful five-year capital plan and commenced development of 20-year Capital Plan aligned with corporate strategic plan.
• We also implemented a capital funding strategy to help fund the City's future infrastructure needs, while at the same time limiting borrowing for capital projects.

A Wave Of Great Ideas

Recognizing that the organization has a wealth of employees with great ideas, in late 2004, the WAVE program was developed as an "internal think tank" to capture staff's innovative ideas and discuss how the organization could move forward more efficiently and progressively. The model has produced some excellent initiatives that can now be acted on, including succession planning, and integrated service teams. Several other municipalities have requested more information about the model.

Employee Development

Five years ago the City of Victoria was spending $1.29 million per year on WCB claims. Upon review of the current model, a new safety model was designed, resulting in a renewed organizational commitment to safety in the workplace. Over five years, our annual WCB costs have been reduced by over $1million, and our employees are safer than ever before.

Respectful Workplace
Introduced Respectful Workplace policy that included mandatory training for entire organization. This has strengthened the organization's commitment to a fair and equitable workplace and goes beyond common harassment policies.

Employee Performance and Development
The web-based employee evaluation tool initiated in late 2004 to track and support employee progress was successfully implemented in 75% of the organization in 2005.

Attendance Recognition Program
Introduction of new Attendance Recognition Program resulted in a 20% decrease in sick leave, 10,000 hours of productivity and $250,000 in savings.

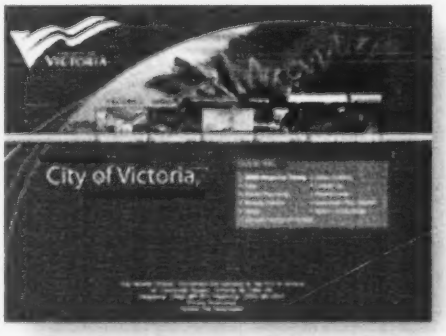
We're Listening To Citizens

• Following up on the first ever survey of Victoria residents in 2003, this past September, we conducted another survey. With an exceptional response rate of over 40%, the information is used throughout the organization to inform strategic and budget planning exercises as well as customer service practices.

Information and Services at Your "Fingertips"

According to the 2005 Citizen Survey, over 70% of the Victoria population has visited the City of Victoria website in the past year. Online payments and visits to the website have steadily increased over the past two years. Victoria was the first municipality in the Capital Region to implement an online homeowner grant application. In 2005:

- Our website received over one million visits
- Online payments increased by 91%
- Preauthorized withdrawal program for paying utilities increased by 28%
- Completed Phase One of fibre optic data network



www.victoria.ca

Victoria Police Department

Serving the communities of Esquimalt and Victoria, the Victoria Police Department (VPD) proudly maintains order, peace and public security. Our over 200 officers and civilians take great pride in serving and protecting British Columbia's Capital City, its residents and the millions of people who visit each year.

Downtown Focus

Although the population of Victoria is just over 74,000 people, the city's downtown population alone nears 200,000 each day as the metropolitan core of the region. Coupled with the vast majority of social services and the influx of tourists the Victoria Police Department contends with many of the same issues and challenges a larger city would face. The Department applies innovative and proven measures to combat these challenges.

In 2005, the VPD played an active role in the Open Door drop-in centre's relocation from the 900 block Pandora to the 700 block Johnson Street. Addressing community concerns over the new site, the VPD, in conjunction with the drop-in centre, the City of Victoria and the Downtown Victoria Business Association undertook the development of a "good neighbour policy" that encourages open communication, mutually supported operational protocols and associated enforcement.

Effective Service Delivery

In late 2005, we made a significant shift in how we fight crime in the City of Victoria and Esquimalt. We adopted the philosophy of targeting our resources through criminal intelligence rather than responding to perceived hotspots.

This new service delivery model resulted in several successful projects including an undercover drug trafficking project in the downtown core, and a series of projects targeting the 800-block of Esquimalt Road.

In addition:

- A very experienced civilian crime analyst was hired to work with police officers in our Criminal Intelligence Section to analyze crime data and project crime trends.
- A new system was established called the Operations Council to respond to these crime trends through the concentration of resources to tackle the problem.
- The region's first BAIT car program was implemented and has contributed to a 35% decrease in auto thefts.
- This service delivery model will continue in 2006 targeting bicycle theft, escort agencies and graffiti.
- Led by a Block Watch Coordinator, the Block Watch program promotes citizen involvement in preventing and reporting crime in their community. A partnership with A Channel television and the Victoria and Esquimalt Chambers of Commerce, produced a host of public service announcements educating residents of how to prevent burglaries from houses and vehicles.

Strategic Planning

- In August 2005, a sworn member was assigned to the newly created position of Communication Manager. It is the responsibility of this manager to ensure that the department's mission, vision, values and services are easily understood and accessible to all citizens, employees and volunteers.

Human Resources

- Shifting demographics and an unexpected change in pension regulation has resulted in recruiting and hiring challenges.
- Recruiting was, and will continue to be, a major effort for the entire department. We believe we have the best police officers in Canada. Recent hires have been from Vancouver, Calgary, Edmonton, Toronto.

Partnerships And Collaboration

Increasing strategic community partnerships continues to be a priority to maximize talent, resources, and reach within the community.

The Victoria Police Department is dedicated to maintaining peace, order and public security and for preventing crime, thereby creating a safe and harmonious community

Safety First

The Victoria Fire Department–the oldest department west of Toronto and north of San Francisco–protects the lives, property and environment of the people who live, work and visit the Capital City. Our 113 fire department personnel are highly trained to respond to a wide variety of emergency and non-emergency incidents.

Credited to on-going fire education programs, thorough code inspection and enforcement, and a skilled suppression unit, 2005 was the fifth consecutive year with no fire related deaths.

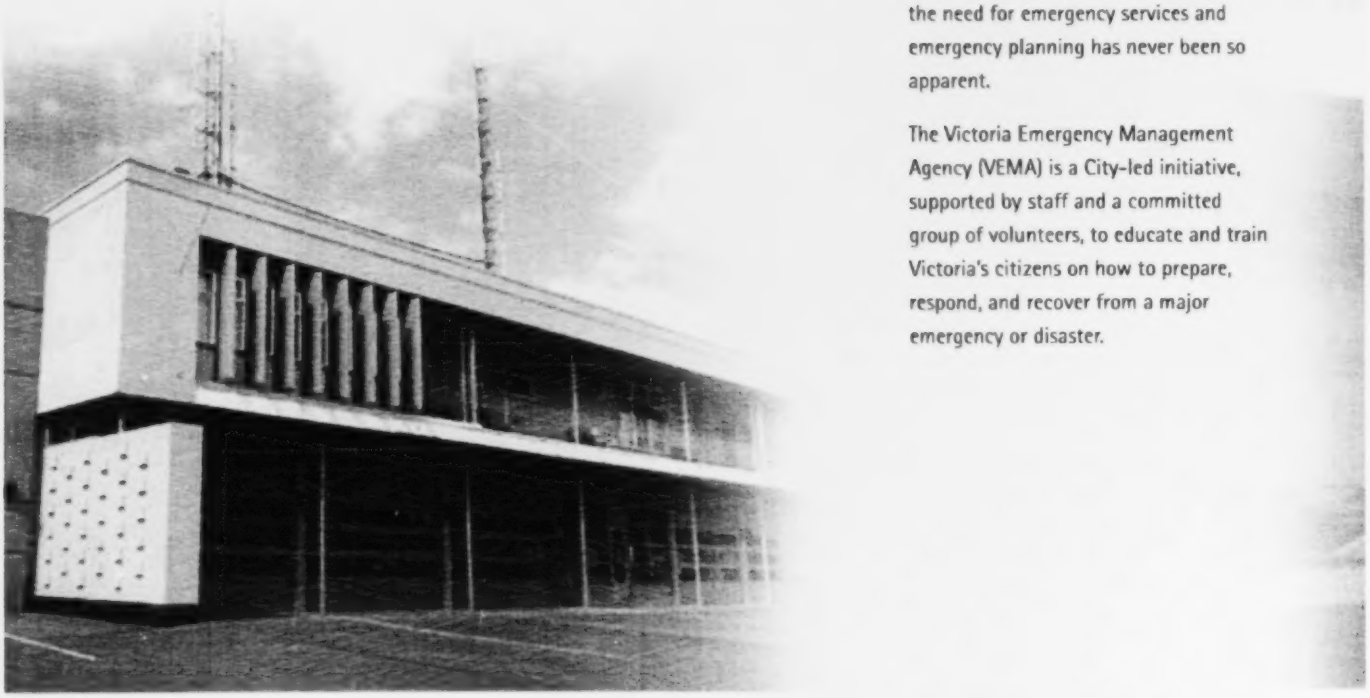
2005 Highlights:

- 5,306 incidents
- $3.2 million in fire loss
- 374 total fire incidents
- 0 loss of life
- Selected a new pre-officer qualification program to develop and train current members for future opportunities
- Expanded school fire safety expos
- Increased community partnerships to include partnership with McDonald's and London Drugs to provide fire safety education
- Provided vehicle maintenance and repairs to View Royal, Langford and Oak Bay fire departments

Emergency Preparedness

With the tsunami disaster in South Asia, and one of the most devastating hurricanes, Hurricane Katrina, to ever hit the United States, in the past year, the need for emergency services and emergency planning has never been so apparent.

The Victoria Emergency Management Agency (VEMA) is a City-led initiative, supported by staff and a committed group of volunteers, to educate and train Victoria's citizens on how to prepare, respond, and recover from a major emergency or disaster.



- Emergency Social Services responded to eight major events in 2005, assisting 157 residents by providing temporary accommodation food and clothing
- The neighbourhood education program conducted 54 educational workshops in emergency preparedness, response, and recovery with record attendance for the year
- Victoria Search and Rescue responded to 34 callouts
- The agency now has 342 active and committed volunteers
- In 2005, the agency underwent a formal name change from Victoria Emergency Program to Victoria Emergency Management Agency to foster better understanding of the structure and to be consistent with other emergency preparedness organizations
- Three members of VEMA were among the first ever graduates in Canada to receive Emergency Management Certificates from the Justice Institute of British Columbia
- Former fire department van converted to emergency communications van for Amateur Radio and considered to be a model for other agencies province wide
- An agreement to provide emergency social services to the residents of Esquimalt was also formalized
- VEMA representatives provided preparedness training to employees of BC Ambulance Service, Capital Regional Water District, BC Legislative Services, Canadian Coast Guard

Looking Ahead

Building on the information gathered in the 2005 Citizen Survey and the consultation process for the Victoria Urban Development Agreement, Council and senior management will begin a strategic planning process in early 2006 to establish new strategies, realistic performance measures, and a simple and effective system for reporting our progress to citizens on a regular basis.

The City continues to follow the objectives set out in the current City of Victoria Strategic Plan. However, a new term of council and the evolving needs of the community require regular updates occur to ensure we are well on track to becoming the most liveable city in Canada.

Under the legislation of the Community Charter, each municipality in British Columbia must clearly state its objectives for the coming year. They must also report on what they achieved in the year prior. The front end of this report aims to do that–highlight the accomplishments the City achieved last year. We continue to follow the plan outlined.

Corporate Strategic Plan

Vision

To be the most liveable City in Canada

Mission

To be exceptional stewards of our cultural and environmental assets and leaders in enhancing the social and economic vitality of our region.

Goals

Strengthen the Economic Vitality of Downtown

- Pursue arts, culture, and tourism opportunities.
- Improve downtown safety, security, cleanliness, and accessibility and increase business and conference activity.
- Promote downtown as a place of learning.

Enhance the Quality of Life for all Citizens of Victoria

- Develop a comprehensive housing strategy.

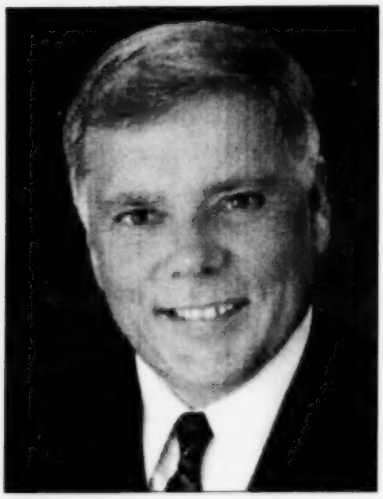
Promote a Green, Clean, Walkable and Safe City

- Promote alternate modes of transportation within the City of Victoria to improve mobility in and around the core and reduce the environmental impacts of motor vehicles.

Improve the Quality of Civic Services

- Foster a high performance work environment.

Message from the Director of Finance



Director of Finance
Mike McCliggott

Finance Department
#1 Centennial Square
Victoria, British Columbia
V8W 1P6

Tel (250) 361-0236
Fax (250) 361-0278

May 2006

I am pleased to present the City of Victoria's consolidated financial statements which are prepared in compliance with Section 167 of the Community Charter and in accordance with generally accepted accounting principles approved by the Public Sector Accounting Board (PSAB). These financial statements include the consolidated statement of financial position of the Corporation of the City of Victoria as at December 31, 2005 and the related consolidated statements of financial activities and changes in financial position. The notes to Financial Statements include supporting information and schedules outlining changes in the reserve, operating and capital funds and the fund balances for the year.

Results of Operations

The year 2005 finished with an improved municipal position ($31.5 million) that was mainly due to an increase in physical assets ($28.9 million). The City's revenue increased by $12.1 million due to an increase in the property taxes ($3.6 million) from a property tax increase and assessment growth, sale of goods and services ($6.7 million) and an increase in government grants ($1.3 million). Our largest expenditure increases were in General Government ($2.9 million) due to the capital expenditures incurred in the seismic upgrade of City Hall and in Protective Services ($1.7 million) due to additional funding for Police.

In 2005 the municipal property tax increase was 3.73%; mainly due to the hiring of additional police officers and firefighters, new money for additional planning resources and increased funding for city infrastructure needs.

Highlights

The operating fund surplus for the year was $1.3 million; in addition both utilities–water and sewer–had a surplus. The sewer utility surplus was $600 thousand and the water utility surplus was $449 thousand.

The City's financial statements continue to comply with all aspects of Public Sector Accounting Board and Canadian Institute of Chartered Accountants standards for accounting and financial reporting. This was one of the contributing factors in the City's 2004 Annual Report being awarded the Government Finance Officers Association Canadian Award for Financial Reporting Excellence.

City Council continues to follow its debt management policy by avoiding debt for all but major capital projects while increasing reserves and the capital levy to address the needs of the capital program.

In closing, I would like to thank all those who contributed to a successful year in 2005 and have worked together to make Victoria one of the most liveable cities in Canada. I would like to acknowledge City Council, department heads and staff throughout the organization but in particular the staff in the Finance Department who has continued to demonstrate a high level of professionalism and dedication.

Mike McCliggott
Director of Finance

The Government Finance Officers Association of the United States and Canada

CANADIAN AWARD FOR
FINANCIAL REPORTING ACHIEVEMENT

Financial Reporting Responsibility

The accompanying financial statements of The Corporation of the City of Victoria are the responsibility of management. To ensure their integrity, objectivity and reliability, management has selected appropriate accounting policies that are in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The financial statements necessarily include some amounts that are based on estimates and the judgment of management with appropriate consideration to materiality.

The City's accounting systems and related internal controls and supporting procedures are designed and maintained to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorized use or disposition. The procedures include training and selection of qualified staff, the establishment of an organizational structure that provides a well-defined division of responsibilities, accountability for performance and communication of standards of business conduct

The Municipal Council, acting through its Finance and Human Resources Committee and the Committee of The Whole, oversees management's responsibilities for the financial reporting and internal control systems. The Committees meet periodically with management and the independent auditors to satisfy themselves that management's responsibilities are properly discharged, to review the consolidated financial statements and to recommend approval of the consolidated financial statements to Council.

KPMG LLP, Chartered Accountants, the independent auditors appointed by the City have examined these financial statements and issued their report which follows. The auditors have full and unrestricted access to the Council to discuss their audit and their related findings as to integrity of the financial reporting process.

Director of Finance

Auditors' Report to the Mayor and Councillors of the Corporation of the City of Victoria

We have audited the consolidated statement of financial position of The Corporation of the City of Victoria as at December 31, 2005 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Victoria, Canada
March 7, 2006

The Corporation of the City of Victoria

Consolidated Statement Of Financial Position
December 31, 2005, with comparative figures for 2004

	2005	2004
Financial Assets		
Cash and short-term investments (note 2)	$ 47,499,172	$ 46,013,580
Property taxes receivable	2,059,049	2,057,713
Accounts receivable	11,049,435	8,160,865
Long-term investments (note 3)	18,588,568	18,194,989
Property acquired for taxes	87,815	-
Other assets	8,449	897,729
Total financial assets	**79,292,488**	**75,324,876**
Liabilities		
Accounts payable and accrued liabilities (note 4)	15,815,798	15,047,223
Deposits	5,067,694	4,209,060
Deferred revenue	3,733,261	2,107,720
Employee benefit obligations (note 5)	8,722,993	7,854,686
Long-term debt (note 6)	50,502,394	53,249,961
Capital lease obligations	-	17,536
Total financial liabilities	**83,842,140**	**82,486,186**
Net financial liabilities	**(4,549,652)**	**(7,161,310)**
Physical assets (note 7)	419,273,647	390,423,636
Total net financial liabilities and physical assets	**$ 414,723,995**	**$ 383,262,326**
Municipal Position		
Operating Funds (Schedule A) (note 8)	$ 2,361,046	$ 1,191,156
Capital Funds (Schedule B)	-	-
Reserve Funds (Schedule C) (note 9)	49,533,749	51,093,751
Unfunded employee benefit obligations (note 5)	(5,942,053)	(6,178,720)
	45,952,742	46,106,187
Equity in physical assets (note 10)	368,771,253	337,156,139
Total municipal position	**$ 414,723,995**	**$ 383,262,326**

Commitments and contingencies (notes 15 and 18)
See accompanying notes to financial statements.

Approved by the Director of Finance

The Corporation of the City of Victoria

Consolidated Statement Of Financial Activities

Year ended December 31, 2005, with comparative figures for 2004

	Budget 2005	Actual 2005	Actual 2004
Revenues:			
Net taxes available for municipal purposes (note 11)	$ 77,407,584	$ 77,324,079	$ 73,707,638
Net grants in lieu of taxes available for municipal purposes (note 12)	4,198,900	4,600,863	4,243,615
Sales of goods and services	27,416,627	34,736,417	28,003,814
Sale of water	11,315,759	10,449,855	10,739,981
Licences and permits	3,153,500	3,327,905	3,352,066
Fines	4,585,000	4,912,631	4,662,279
Rentals and leases	840,000	847,641	809,640
Other interest and penalties	1,682,500	2,433,240	2,390,260
Unconditional government transfers (note 13)	-	2,466,449	1,838,174
Conditional government transfers (note 13)	5,238,640	1,872,357	1,178,205
Development cost charges	75,000	75,000	609,250
Actuarial adjustment on debt	-	1,376,833	983,161
Miscellaneous	3,521,329	3,794,899	3,552,044
	139,434,839	148,218,169	136,070,127
Expenditures (note 14):			
General government	27,921,822	27,315,752	24,387,314
Protective services	48,657,343	46,268,396	44,530,957
Transportation services	17,560,147	12,600,465	11,680,046
Environmental and public health services	10,971,118	9,234,921	8,691,912
Community planning	1,371,899	1,169,207	1,627,062
Parks, recreation and cultural services	42,324,527	36,025,692	36,442,762
Water utility	10,866,567	9,987,583	10,332,417
Sewer utility	3,582,486	3,004,495	3,324,006
	163,255,909	145,606,511	141,016,476
Excess (deficiency) of revenues over expenditures	(23,821,070)	2,611,658	(4,946,349)
Debt proceeds	19,025,313	1,265,770	12,700,000
Debt principal repaid (note 6)	(2,636,504)	(2,636,504)	(2,357,140)
Debt principal reduced by actuarial valuation	-	(1,376,833)	(983,161)
Capital lease principal repaid	-	(17,536)	(238,908)
Change in fund balance	$ (7,432,261)	$ (153,445)	$ 4,174,442

See accompanying notes to financial statements.

The Corporation of the City of Victoria

Consolidated Statement Of Changes In Financial Position
Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Cash and short-term investments provided by (used for):		
Operations:		
Excess (deficiency) of revenues over expenditures	$ 2,611,658	$ (4,946,349)
Actuarial adjustment on debt	(1,376,833)	(983,161)
Decrease (increase) in non-cash financial assets:		
Property taxes receivable	(1,336)	626,682
Accounts receivable	(2,888,570)	(172,983)
Other financial assets	801,465	96,571
Increase in short-term liabilities:		
Accounts payable and accrued liabilities	768,574	2,681,702
Other financial liabilities	2,484,175	820,893
Employee benefit obligations	868,308	799,867
	3,267,441	(1,076,778)
Investing:		
Increase in long-term investments	(393,579)	(3,521,510)
Financing:		
Debt principal repaid	(2,636,504)	(2,357,140)
Proceeds of new debt issue	1,265,770	12,700,000
Capital lease principal repaid	(17,536)	(238,908)
	(1,388,270)	10,103,952
Increase in cash and short-term investments	1,485,592	5,505,664
Cash and short-term investments, beginning of year	46,013,580	40,507,916
Cash and short-term investments, end of year	$ 47,499,172	$ 46,013,580

Supplemental cash flow information (note 6).
See accompanying notes to financial statements.

The Corporation of the City of Victoria

Notes to Financial Statements
Year ended December 31, 2005

The Corporation of the City of Victoria (the "City") is incorporated and operates under the provisions of the Local Government Act of British Columbia. The City provides municipal services such as police, fire, public works, engineering, planning, parks, recreation, community development, conference facilities and other general government operations.

1. Significant accounting policies:

The financial statements of the City are prepared by management in accordance with Canadian generally accepted accounting principles for local governments, as prescribed by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the City are as follows:

(a) Reporting entity:

The consolidated financial statements reflect a combination of the assets, liabilities, revenues, expenditures, and changes in fund balances and in financial position of the City's Operating, Capital and Reserve Funds. The financial statements of the City also includes all organizations and enterprises accountable for the administration of their financial affairs and resources to the City and which are owned or controlled by the City.

Inter-departmental balances and organizational transactions are eliminated.

The financial statements exclude trust assets that are administered for the benefit of external parties (note 18).

(b) Basis of accounting:

The basis of accounting followed in the financial statement presentation is an accrual basis and includes revenues in the period in which the transactions or events occurred that gave rise to the revenues; and expenditures in the period the goods and services are acquired and a liability is incurred or transfers are due.

(c) Fund accounting:

Funds within the consolidated financial statements consist of the general operating, sewer operating, water operating, general capital, sewer capital, water capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate fund balance.

(d) Property acquired for taxes:

Property acquired for taxes is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

(e) Long-term investments:

Investments are recorded at cost except for the investments in the Municipal Finance Authority of British Columbia ("Municipal Finance Authority") Bond, Intermediate and Money Market Funds, which are recorded at cost plus interest earned and reinvested in the funds.

The Corporation of the City of Victoria

Notes to Financial Statements
Year ended December 31, 2005

1. Significant accounting policies (continued):

(f) Physical assets:

Physical assets, comprised of capital assets, land for future municipal purposes, capital work-in-progress and inventories of materials and supplies, are recognized as expenditures in the period they are acquired. Donated capital assets are reported at estimated fair value at the time of receipt.

Physical assets are carried on the consolidated statement of financial position at cost.

Inventories of materials and supplies are valued at the lower of cost and replacement cost.

Amortization is not recorded on capital assets.

(g) Equity in physical assets:

Equity in physical assets represents the historical cost of those capital assets. Equity increases as physical assets are acquired without incurring long-term debt or, where such debt is incurred, by the reduction of that debt. Equity decreases as physical assets are written off on disposal.

(h) Government transfers:

Government transfers are recognized in the consolidated financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(i) Foreign currency:

Monetary items denominated in U.S. dollars are converted to Canadian dollars for financial statement purposes at approximate exchange rates in effect at the reporting date. Non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred.Revenues and expenditures are translated at rates in effect at the time of the transactions. Gains and losses on foreign currency translations are included as revenues (expenditures).

(j) Employee benefit obligations:

The City and its employees make contributions to the Municipal Pension Plan. These contributions are expensed are incurred.

Sick leave and other retirement benefits are also available to the City's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligation under this benefit plan is accrued based on projected benefits as the employees render services necessary to earn the future benefits.

(k) Measurement uncertainty:

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates.

The Corporation of the City of Victoria

Notes to Financial Statements
Year ended December 31, 2005

2. Cash and short-term investments:

	2005	2004
Bank account balances	$ 4,402,444	$ (722,480)
Bankers' acceptances, special deposits, and Municipal Finance Authority Bond and Money Market Funds	43,096,728	46,736,060
	$ 47,499,172	$ 46,013,580

3. Long-term investments:

	Cost		Market value	
	2005	2004	2005	2004
Government and government guaranteed investments, investments guaranteed by a financial institution	$ 1,499,681	$ 1,491,102	$ 1,508,950	$ 1,525,204
Municipal Finance Authority Pooled Investment Funds	17,088,887	16,703,887	17,088,887	16,703,888
	$ 18,588,568	$ 18,194,989	$ 18,597,837	$ 18,229,092

Long-term investments excluding the Municipal Finance Authority Bond and Intermediate Funds have stated interest rates of 3.80% to 13.75% (2004 - 3.70% to 13.75%) with maturity dates from June 27, 2006 to October 17, 2014. The Municipal Finance Authority Pooled Investment Funds earn interest based on realized earnings of the funds and the market value for longer term investments and do not have set maturity dates. The value of the net assets is the aggregate value of the assets of the Fund less its liabilities. Funds can be withdrawn after a one-to-four day notice period.

4. Accounts payable and accrued liabilities:

	2005	2004
Trade accounts payable	$ 7,149,404	$ 7,291,903
Payroll accounts payable	2,412,106	2,685,935
Contract holdbacks	2,298,106	1,581,947
Property tax appeals	1,688,336	1,361,905
School authorities	1,183,391	1,098,980
Capital Regional District	545,133	491,479
Legal settlements	300,728	300,728
Integrated recreation	84,250	73,637
BC Transit	67,809	69,737
Regional Hospital District	60,389	65,411
BC Assessment Authority	26,146	25,561
	$ 15,815,798	$ 15,047,223

The Corporation of the City of Victoria

Notes to Financial Statements
Year ended December 31, 2005

5. Employee benefit obligations:

The City provides sick leave and certain benefits to its employees. These amounts will require funding in future periods and are recorded as follows:

	City 2005	Police 2005	Total 2005	Total 2004
Employee benefits obligation:				
Accumulated sick leave	$ 2,778,201	$ 2,393,516	$ 5,171,717	$ 3,420,466
Retirement benefit payments	1,687,776	1,038,703	2,726,479	2,170,482
Vacation pay	446,042	378,756	824,798	2,263,738
Accrued employee benefit obligation	$ 4,912,019	3,810,975	8,722,994	7,854,686
Less recoverable from reserves	(2,243,751)	(537,190)	(2,780,941)	(1,675,966)
Amount to be funded from future operations	**$ 2,668,268**	**$ 3,273,785**	**$ 5,942,053**	**$ 6,178,720**

Accumulated sick leave represents the liability for sick leave banks accumulated for estimated reduction at future dates and/or for payout either on an approved retirement or upon termination or death.

Retirement benefit payments represent the City's share of the cost to provide employees with various benefits upon retirement including lump sum retirement payments, death benefits, certain vacation entitlements in the year of retirement, and pension buyback arrangements for qualified employees.

Information about liabilities for the City's employee benefit plans is as follows:

	Sick leave	Retirement benefit payments	2005 Total	2004 Total
Accrued benefit liability, beginning of year	$ 3,420,466	4,434,220	7,854,686	7,054,819
Service cost	470,173	247,870	718,043	814,180
Interest cost	299,242	157,758	457,000	440,700
Past service cost	331,917	174,983	506,900	-
Benefit payments	(532,767)	(280,869)	(813,636)	(455,013)
Accrued benefit liability, end of year	**$ 3,989,031**	**4,733,962**	**8,722,993**	**7,854,686**

In 2004, the City adopted the recommendations under Section PS 3255 of the CICA Handbook for accounting for post-employment benefits. The accrued benefit obligations and the net periodic benefit cost were originally estimated by actuarial valuation in December 2004. At December 31, 2005, the valuation was updated to reflect specific changes in the assumptions adopted in measuring the City's accrued employee benefit obligations.

The Corporation of the City of Victoria

Notes to Financial Statements
Year ended December 31, 2005

5. Employee benefit obligations (continued):

During 2005, it was determined that certain of the vacation bank data provided to the actuarial was overstated. In addition, the City revised its accounting policy to amortize actuarial and experience gains and losses over the expected average remaining service life of the employee group. Previously, these losses were recognized as they occurred. The net effect of these changes is not material and the amounts presented for prior periods have not been restated.

Further during 2005, the City implemented an Attendance Recognition and Incentive Plan which increased the assumed utilization rate in the valuation of the non-vested sick leave banks for certain employees. The effect of this change has been recognized as a past service cost in the current year.

The difference between the actuarially determined accrued benefit obligation as at December 31, 2005 of $9,124,900 and the accrued benefit liability of $8,722,993 is an actuarial loss of $436,150, and current year pension over-contributions of $34,243. Commencing in 2006, this actuarial loss will be amortized over a period equal to the employees' average remaining service lifetime, estimated at 12 years.

The significant actuarial assumptions adopted in measuring the City's accrued benefit obligations are as follows:

	2005	2004
Discount rates	4.25%	5.00%
Expected future inflation rates	2.50%	2.50%
Expected wage and salary increases	2.59% to 4.50%	2.59% to 4.50%

6. Long-term debt:

The City issues debt instruments through the Municipal Finance Authority, pursuant to security issuing bylaws under authority of the Local Government Act, to finance certain capital expenditures. Sinking fund balances, managed by the Municipal Finance Authority, are used to reduce long-term debt.

Interest rates on long-term debt range from 5.37% to 10.25%. The weighted average interest rate for 2005 was 5.82%.

(a) Gross amount of debt and the amount of the sinking fund assets available to retire the debt are as follows:

	Gross debt	Sinking fund asset	Net debt 2005	Net debt 2004
General Capital Fund	$ 86,734,857	$ 36,814,676	$ 49,920,181	$ 52,546,642
Sewer Utility Capital Fund	1,710,112	1,127,899	582,213	703,319
	$ 88,444,969	$ 37,942,575	$ 50,502,394	$ 53,249,961

The Corporation of the City of Victoria

Notes to Financial Statements
Year ended December 31, 2005

(b) Current period and future aggregate payments of net outstanding debenture debt over the next five years are as follows:

	General Capital Fund	Sewer Utility Capital Fund	Total
2005	$ 2,562,637	$ 73,867	$ 2,636,504
2006	2,629,892	73,858	2,703,750
2007	2,533,231	73,858	2,607,089
2008	2,534,331	73,858	2,608,189
2009	1,826,504	43,953	1,870,457

7. Physical assets:

	Beginning balance	2005 additions	2005 Disposals	December 31 ending balance
Sewer utility	$ 20,841,771	$ 1,405,099	$ -	$ 22,246,870
Water utility	42,058,412	1,740,939	-	43,799,351
General capital:				
Engineering structures	139,610,356	8,006,388	-	147,616,744
Buildings	103,427,135	13,461,964	-	116,889,099
Machinery and equipment	67,469,722	3,986,767	(197,293)	71,259,196
Land	17,016,240	446,153	(6)	17,462,387
	$ 390,423,636	$ 29,047,310	$ (197,299)	$ 419,273,647

8. Surplus:

	2005	2004
Unappropriated surplus:		
General Operating	$ 1,312,160	$ 444,207
Water Operating	449,236	691,195
Sewer Operating	599,650	55,754
Operating funds balance	**$ 2,361,046**	**$ 1,191,156**

9. Reserve Funds:

	Beginning balance	Transfer from General Operating Fund	Debt proceeds	Transfer from General Capital Fund	Transfer to General Capital Fund	December 31, 2005 ending balance
Financial Stability Reserve	$ -	$ 219,704	$ -	$ -	$ -	$ 219,704
Equipment Replacement Reserve	33,275,055	5,329,694	1,265,770	-	(16,557,934)	23,312,585
Economic Development	2,198,364	354,959	-	-	-	2,553,323
Debt Reduction	1,564,192	177,532	--	-	-	1,741,724
Self Insurance	3,640,180	491,005	-	-	-	4,131,185
Working Capital	3,208,521	80,213	-	-	-	3,288,734
Tax Sale Lands Fund	3,523,653	128,091	-	6,300,840	(1,259,804)	8,692,780
Parks and Greenways	607,798	69,457	-	686,857	-	1,364,112
Affordable Housing	250,000	256,250	-	-	-	506,250
Local Improvements	818,960	-	-	-	-	818,960
Fringe Benefit Stabilization	138,351	103,697	-	-	-	242,048
Water Utility	1,868,677	737,913	-	-	-	2,606,590
Sewer Utility	-	55,754	-	-	-	55,754
	$ 51,093,751	$ 8,004,269	$ 1,265,770	$ 6,987,697	$ (17,817,738)	$ 49,533,749

10. Equity in physical assets:

The equity in physical assets balance is comprised of the following:

	2005						
	Beginning balance	Debt principal repayments	Actuarial adjustments	Capital expenditures	Debt proceeds	Disposals	December 31, 2005 ending balance
General capital	$ 274,959,274	$ 2,580,173	$ 1,327,148	$ 24,906,830	$ (1,265,770)	$ (197,299)	$ 303,304,799
Water utility capital	42,058,411	-	-	1,740,939	-	-	43,799,350
Sewer utility capital	20,138,454	73,867	49,685	1,405,098	-	-	21,667,104
Equity in physical assets balance	$ 337,156,139	$ 2,654,040	$ 1,376,833	$ 29,047,310	$ (1,265,770)	$ (197,299)	$ 368,771,253

The Corporation of the City of Victoria

Notes to Financial Statements
Year ended December 31, 2005

11. Net taxes available for municipal purposes:

	2005	2004
Taxation:		
Property and business taxes	$ 135,907,224	$ 129,848,258
Utility 1% tax	1,116,583	1,066,891
Special assessments:		
Boulevard frontage	567,049	552,040
Local improvement	1,071	6,008
Specified area improvement	180,966	186,616
Sewer frontage	546,348	546,128
Hotel tax:		
Tourism Victoria - Destination Marketing Commission	2,252,776	2,163,361
Victoria Conference Centre	503,287	494,388
	141,075,304	134,863,690
Less taxes levied for other authorities:		
Capital Regional District	8,549,154	7,943,301
School Authorities	46,891,225	44,772,948
Regional Hospital District	3,714,450	3,814,886
Municipal Finance Authority	2,618	2,198
BC Assessment Authority	1,477,954	1,429,085
BC Transit	3,115,824	3,193,634
	63,751,225	61,156,052
Net taxes available for municipal purposes	**$ 77,324,079**	**$ 73,707,638**

The Corporation of the City of Victoria

Notes to Financial Statements
Year ended December 31, 2005

12. Grants in lieu of taxes:

	2005	2004
Federal	$ 1,998,442	$ 1,896,790
Provincial:		
BC Buildings Corporation	3,486,211	3,125,672
Provincial agencies:		
Housing	299,436	318,835
Hydro	177,929	201,105
ICBC	197,424	190,572
	6,159,442	5,732,974
Less grants in lieu of taxes for other authorities:		
Capital Regional District	545,133	491,479
School Authorities	859,083	837,153
Regional Hospital District	60,389	65,411
Municipal Finance Authority	19	18
BC Assessment Authority	26,146	25,561
BC Transit	67,809	69,737
	1,558,579	1,489,359
Net grants in lieu of taxes, available for municipal purposes	**$ 4,600,863**	**$ 4,243,615**

13. Government transfers:

The following government transfers have been included in revenues:

	2005	2004
Unconditional transfers from provincial government:		
Traffic fine revenue sharing	$ 2,466,449	$ 1,838,174
Conditional transfers:		
Jail services	153,034	399,970
Infrastructure grants:		
Sewer	-	32,458
General capital	1,458,801	403,703
Cost sharing:		
General capital	260,522	342,074
	1,872,357	1,178,205
	$ 4,338,806	$ 3,016,379

The Corporation of the City of Victoria

Notes to Financial Statements
Year ended December 31, 2005

14. Expenditures by object:

	2005	2004
Salaries, wages and employee benefits	$ 75,320,098	$ 72,850,366
Equipment	10,540,572	10,256,565
Materials, supplies and contracted services	48,895,728	45,701,011
Interest and foreign exchange	5,151,413	4,572,750
Other	5,698,700	7,635,784
	$ 145,606,511	$ 141,016,476

15. Contingent liabilities:

The City is defendant in various lawsuits. The City records an accrual in respect of legal claims that are likely to be successful and the City's solicitor has quantified. The remaining claims, should they be successful as a result of litigation, will be recorded when a liability is likely and determinable. An insurance reserve of $4,131,186 (2004 - $3,640,181) is maintained to offset settlements and insurance coverage is maintained to provide for insurable claims, should they exceed the liability deductible of $1,000,000 in any year.

New condominium construction in British Columbia over the last ten years has resulted in significant construction deficiencies. Liability for these deficiencies is presently being addressed by the courts. The impact of the courts' decisions and their effect on the City are unknown at this time. The City has received various statements of claim with respect to alleged construction deficiencies. Statements of defence have been made on behalf of the City by the City's solicitors. No determination of the City's liability, if any, has been made and no estimate of potential loss can be made or recorded at this time. Any liability will be recorded when a settlement is likely and the amounts are determinable.

Capital Regional District debt, under provisions of the Local Government Act, is a direct, joint and several liability of the Capital Regional District and each member municipality within the Capital Regional District, including the City.

The City is reviewing environmental objectives and potential liabilities for its activities and properties and potential site reclamation obligations. The amount of any such obligations has not been determined.

16. Pension plan:

The municipality and its employees contribute to the Municipal Pension Plan (the plan), a jointly trusteed pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 130,000 active members and approximately 48,000 retired members. Active members include approximately 30,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2003 indicated an unfunded liability of $789 million for basic pension benefits. The next valuation will be as at December 31, 2006 with results available in 2007. The actuary does not attribute portions of the unfunded liability to individual employers. The City paid $5,652,540 for employer contributions to the plan in fiscal 2005.

The Corporation of the City of Victoria

Notes to Financial Statements
Year ended December 31, 2005

17. Commitments:

In the normal course of business, the City enters into commitments for both capital and operational expenditures. These commitments have been budgeted for within the appropriate annual budget and have been approved by Council.

(a) Multipurpose facility:

The City has entered into a partnership with RG Properties to construct a new multipurpose facility on the former Memorial Arena site. The facility was originally scheduled for completion by November 2004. Due to delays beyond the City's control, the facility is now scheduled for completion by March 2006. The City borrowed $30 million during 2003 and 2004 to fund the construction of the facility. The City is expecting to spend approximately $1 million in 2006 on this new facility.

(b) Municipal Finance Authority debt reserve fund deposits:

Under borrowing arrangements with the Municipal Finance Authority ("MFA"), the City is required to lodge security by means of demand notes and interest-bearing cash deposits based on the amount of the borrowing. As the debt principal is retired, demand notes are released and the cash deposits are refunded and recorded as operating income in the period received.

As a condition of these borrowings, a portion of the debenture proceeds is withheld by the MFA as a debt reserve fund. These deposits, which are contingent in nature, are held by the MFA to act as security against the possibility of debt repayment default, and together with the demand notes are not recorded in the accounts. If the debt is repaid without default, the deposits are refunded to the City. Details of the cash deposits and contingent demand notes are as follows:

	2005	2004
Cash deposits	$ 1,259,035	$ 1,194,436
Contingent demand notes	3,107,608	3,062,267
Total	$ 4,366,643	$ 4,256,703

The Corporation of the City of Victoria

Notes to Financial Statements
Year ended December 31, 2005

18. Trust assets and liabilities:

The City administers trusts on behalf of third parties. The following trust fund balances are not included in the statement of financial position.

	2005	2004
Ross Bay Cemetery	$ 388,008	$ 467,766
Nature Interpretation Centre	505,681	493,347
Bastion Square	313,073	263,783
	$ 1,206,762	$ 1,224,896

The Ross Bay Cemetery Trust is a care fund for the non-commercial Ross Bay Cemetery and is used for perpetual maintenance.

The Nature Interpretation Centre is a trust for the construction of a nature interpretation center in Beacon Hill Park.

The Bastion Square Revitalization Trust is a trust received from the Bastion Square Association Society for the sole purpose of improving Bastion Square.

In the normal course of business, the City enters into commitments for both capital and operational expenditures. These commitments have been budgeted for within the appropriate annual budget and have been approved by Council.

19. Comparative figures:

Certain of the comparative figures have been restated to conform with the current year's presentation.

The Corporation of the City of Victoria

Schedule A

Consolidated Statement of Financial Activities and Fund Balances
Operating Funds
Year ended December 31, 2005, with comparative figures for 2004

	Budget 2005	Actual 2005	Actual 2004
Revenues:			
Taxes	*$ 77,407,584*	$ 77,324,079	$ 73,707,638
Payments in lieu of taxes	*4,198,900*	4,600,863	4,243,615
Sale of goods and services	*26,605,965*	26,824,865	25,713,394
Sale of water	*11,315,759*	10,449,855	10,739,981
Licences and permits	*3,153,500*	3,327,905	3,352,066
Fines	*4,585,000*	4,912,631	4,662,279
Rentals and leases	*840,000*	847,641	809,640
Other interest and penalties	*1,682,500*	2,433,240	2,390,260
Unconditional government transfers	-	2,466,449	1,838,174
Conditional government transfers	*230,000*	153,034	399,970
Miscellaneous	*3,521,329*	3,794,899	3,552,044
	133,540,537	**137,135,461**	**131,409,061**
Expenditures:			
General government	*23,401,322*	23,740,729	22,691,635
Protective services	*45,257,023*	45,268,390	43,439,404
Transportation services	*8,182,157*	8,109,136	8,099,578
Environmental and public health services	*6,220,558*	6,094,403	5,966,953
Community planning	*1,371,899*	1,169,207	1,627,062
Parks, recreation and cultural services	*22,302,604*	22,331,296	20,628,591
Water utility	*8,814,126*	8,246,644	8,219,825
Sewer utility	*1,589,824*	1,599,396	1,790,595
	117,139,513	**116,559,201**	**112,463,643**
Excess of revenues over expenditures	**16,401,024**	**20,576,260**	**18,945,418**
Debt principal repaid	*(2,636,504)*	(2,636,504)	(2,357,140)
Capital lease principal repaid	-	(17,536)	(238,908)
Net transfers to Capital Funds	*(10,238,103)*	(8,511,394)	(8,076,615)
Net transfers to Reserve Funds	*(4,031,138)*	(7,063,113)	(7,963,229)
Unfunded employee benefit obligations	-	(236,667)	(64,050)
	(16,905,745)	**(18,465,214)**	**(18,699,942)**
Change in Operating fund balances	*(504,721)*	2,111,046	245,476
Funds balances, beginning of year	*1,191,156*	1,191,156	13,207,018
Transfer appropriated balance to Reserve Funds	*(12,261,338)*	(941,156)	(12,261,338)
Funds balances, end of year	**$ (11,574,903)**	**$ 2,361,046**	**$ 1,191,156**

The Corporation of the City of Victoria

Consolidated Statement of Financial Activities and Fund Balances
Capital Funds **Schedule B**
Year ended December 31, 2005, with comparative figures for 2004

	Budget 2005	Actual 2005	Actual 2004
Revenues:			
Sale of goods and services	*$ 810,662*	$ 7,911,552	$ 2,290,420
Conditional governmental transfers	*5,008,640*	1,719,323	778,235
Development cost charges	*75,000*	75,000	609,250
Actuarial adjustment on debt	-	1,376,833	983,161
	5,894,302	11,082,708	4,661,066
Expenditures:			
General government:			
Buildings	*3,250,000*	2,497,786	715,996
Machinery and equipment	*1,170,500*	1,077,237	715,055
Land	*100,000*	-	264,628
	4,520,500	3,575,023	1,695,679
Protective services:			
Buildings	*1,865,770*	29,458	-
Machinery and equipment	*1,534,550*	970,548	1,091,553
	3,400,320	1,000,006	1,091,553
Transportation services:			
Engineering structures	*7,107,490*	3,312,785	3,038,871
Buildings	*20,000*	-	-
Machinery and equipment	*2,250,500*	1,178,544	541,597
	9,377,990	4,491,329	3,580,468
Environmental and public health services:			
Engineering structures	*4,342,560*	2,733,335	2,446,959
Land	*408,000*	407,183	278,000
	4,750,560	3,140,518	2,724,959
Parks, recreation and cultural services:			
Engineering structures	*3,309,700*	1,960,268	357,583
Buildings	*15,848,223*	10,934,720	14,067,986
Machinery and equipment	*864,000*	760,438	508,346
Land	-	38,970	880,256
	20,021,923	13,694,396	15,814,171
Water utility	*2,052,441*	1,740,939	2,112,592
Sewer utility	*1,992,662*	1,405,099	1,533,411
Total expenditures	**46,116,396**	29,047,310	28,552,833

The Corporation of the City of Victoria

Schedule B (continued)

Consolidated Statement of Financial Activities and Fund Balances
Capital Funds
Year ended December 31, 2005, with comparative figures for 2004

	Budget 2005	Actual 2005	Actual 2004
Excess of expenditures over revenues	**(40,222,094)**	**(17,964,602)**	**(23,891,767)**
Debt proceeds	*19,025,313*	-	10,057,542
Net transfers from Operating Funds	*9,620,441*	8,511,394	8,076,615
Net transfers from Reserve Funds	*11,576,340*	10,830,041	6,740,771
Actuarial adjustment on debt	-	(1,376,833)	(983,161)
	40,222,094	17,964,602	23,891,767
Change in Capital Funds balances	-	-	-
Funds balances, beginning of year	-	-	-
Funds balances, end of year	**$ -**	**$ -**	**$ -**

The Corporation of the City of Victoria

Consolidated Statement of Changes in Reserve Funds **Schedule C**
Year ended December 31, 2005, with comparative figures for 2004

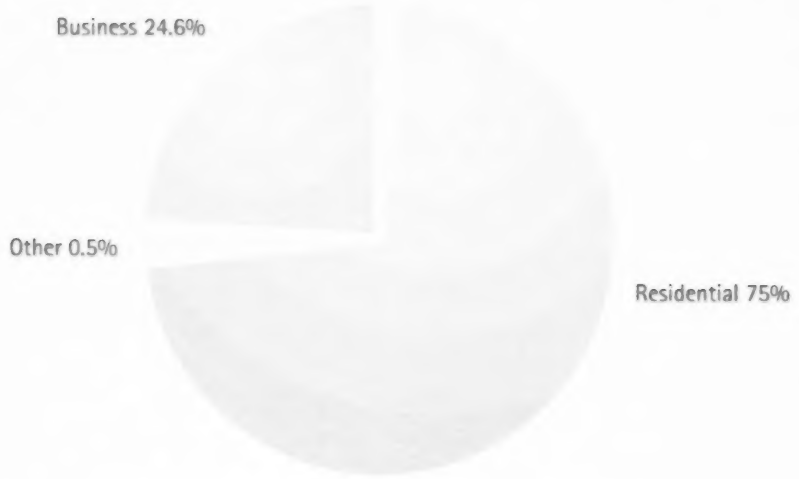
	Budget 2005	Actual 2005	Actual 2004
Funds balances, beginning of year	*$ 51,093,751*	$ 51,093,751	$ 47,228,835
Add:			
Debt proceeds	-	1,265,770	2,642,458
Transfer from Operating Funds	*4,031,138*	8,004,269	8,025,076
Transfer from Capital Funds	-	6,987,697	1,291,346
	4,031,138	16,257,736	11,958,880
Deduct:			
Transfer to Capital Funds	*11,576,340*	17,817,738	8,032,117
Transfer to Operating Funds	-	-	61,847
	11,576,340	17,817,738	8,093,964
Change in Reserve Funds balance	*(7,545,202)*	(1,560,002)	3,864,916
Funds balances, end of year	$ 43,548,549	$ 49,533,749	$ 51,093,751

Statistical Information

Taxable Assessments of Land and Improvements 2001 – 2005 (in millions)

Property Class	2001	2002	2003	2004	2005
Residential	$4,905	$4,999	$5,566	$6,368	$7,728
Utilities	9	10	11	15	15
Industrial - Light	27	27	25	25	24
Business	2,126	2,178	2,334	2,417	2,537
Seasonal	8	9	15	16	17
	$7,076	$7,223	$7,951	$8,841	$10,321

Assessments by Type



Source: B.C. Assessment

Statistical Information

Property Tax Rates 2001 - 2005

	2001	2002	2003	2004	2005
Municipal ($ per 1000 assessment)					
Residential	5.470	5.614	5.399	5.038	4.383
Utilities	33.787	35.297	33.389	28.625	28.505
Industrial - Light	14.305	14.984	17.488	17.935	19.259
Business	13.515	14.119	14.184	14.697	14.624
Seasonal	9.902	10.588	10.132	9.251	9.740
Total - Including School, Region, etc. ($ per 1000 assessment)					
Residential	10.243	10.488	9.969	9.206	7.985
Utilities	55.261	57.293	54.933	49.408	49.012
Industrial - Light	28.248	29.174	31.758	32.105	33.106
Business	27.030	27.846	27.738	28.204	27.673
Seasonal	16.155	17.017	16.435	15.392	15.882
Municipal Tax Billings By Property Class (in thousands)					
Residential	$26,830	$28,062	$30,053	$32,080	33.872
Utilities	312	356	377	434	451
Industrial - Light	389	405	429	456	462
Business	28,739	30,756	33,099	35,516	37,149
Seasonal	83	91	156	146	163
TOTAL	$56,354	$59,670	$64,114	$68,632	$72,097

New Construction 2001 - 2005

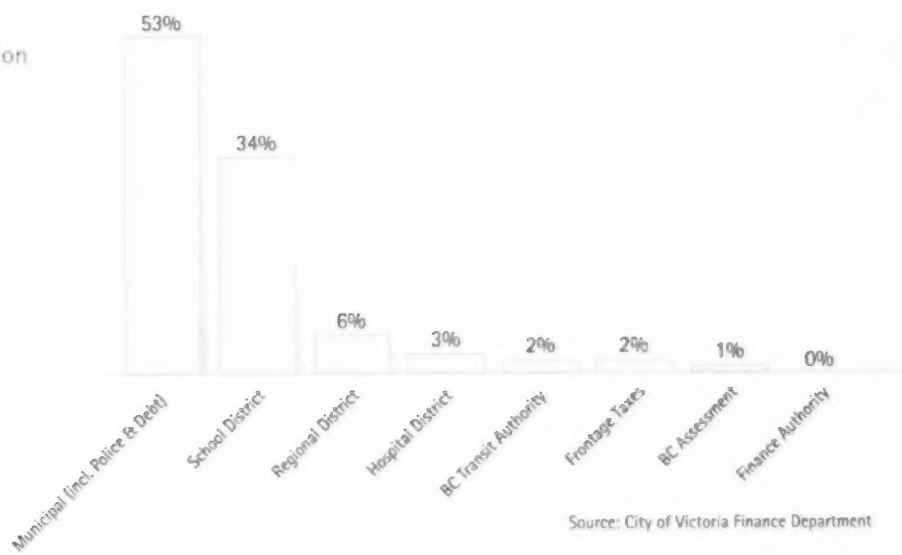
	2001	2002	2003	2004	2005
Construction Permits	2,907	2,827	2,944	2,927	3,244
Construction Value ($ Million)	$106	$145	$133	$129	$206
Taxes Generated from New Growth	$777,701	$1,078,658	$873,382	$1,343,819	$902,586

Source: City of Victoria Finance Department

Property Tax Levied and Collected 2001 – 2005 (in thousands)

	2001	2002	2003	2004	2005
Municipal (incl Police and Debt)	$56,354	$59,670	$64,114	$68,632	$72,097
Hospital District	3,734	4,037	3,979	3,815	3,714
Regional District	6,179	7,021	7,542	7,943	8,549
BC Assessment	1,419	1,426	1,444	1,429	1,478
Finance Authority	2	2	2	2	3
School District	39,848	40,822	43,160	44,773	46,109
B.C. Transit Authority	2,800	2,821	2,817	3,194	3,116
Frontage Taxes	1,256	1,257	1,273	1,282	2,072
	$111,592	$117,056	$124,330	$131,070	$ 137,138
Total Current Taxes Levied	111,592	117,056	124,330	131,070	137,138
Current Taxes Collected	$109,368	$113,645	$120,931	$127,680	$ 133,091
Percentage	97.31%	97.09%	97.27%	97.41%	97.05%
Outstanding at Beginning of Year	$3,784	$3,341	$4,221	$4,179	$ 4,048
Arrears Collected	$2,668	$2,531	$3,441	$3,522	$ 3,708
Percentage	70.51%	75.76%	81.51%	84.27%	91.60%
Total Tax Collections	112,036	116,176	124,372	131,202	136,799

2005 Taxes by Jurisdiction



Source: City of Victoria Finance Department

Statistical Information

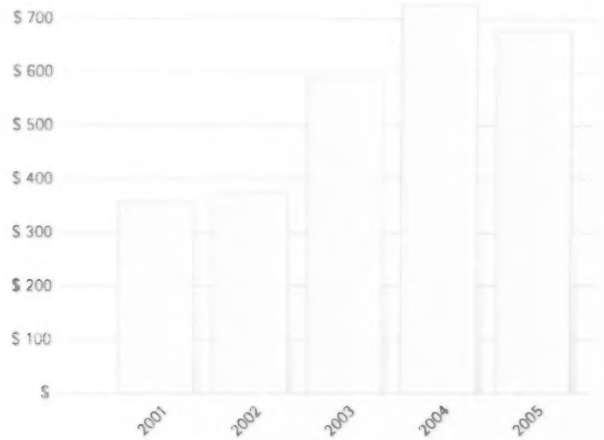
Principal Taxpayers and Percentage of Total Taxes 2005

Last Year	Rank	Property Owner	Taxes (in thousands)	Percent
1	1	4239440 Canada Inc	3,513,854	2.56%
2	2	Legacy Empress Title Corp	6,617,373	1.91%
3	3	OPB Realty	2,428,888	1.77%
4	4	527701 BC Ltd / No 3 Sail View Ventures Ltd	1,715,981	1.25%
5	5	Jawl Holdings Ltd	1,296,104	0.95%
6	6	BC Telephone Co	1,098,871	0.80%
7	7	Aplus Co LTd/Daishinpan (Canada) inc	1,045,374	0.76%
8	8	Pacific Sun Hotel Inc	929,954	0.68%
10	9	Grampion Holdings Ltd	896,728	0.65%
9	10	Columbus Real Estate Inc	788,673	0.58%
12	11	596961 BC Ltd.	713,854	0.52%
13	12	Sussex Place Equities Ltd.	713,639	0.52%
17	13	Canadian Imperial Bank of Commerce/Standard Life Assurance Co	668,110	0.49%
11	14	Victoria Downtown Hotel Estates Ltd	653,119	0.48%
18	15	Congdon Construction Ltd	630,074	0.46%
16	16	Associated Building Credits Ltd	598,424	0.44%
19	17	The Greater Victoria Harbour Authority	597,179	0.44%
20	18	Paul's Restaurans Ltd	537,537	0.39%
28	19	Raamco International Properties Canadian Limted	531,749	0.39%
14	20	Gill-am Investments/Brown Bros Agencies Ltd	493,779	0.36%
	21	Provincial Rental Housing Corp	491,204	0.36%
21	22	BC Hydro and Power Authority	463,291	0.34%
22	23	Westside Village Shopping Centre Ltd	448,222	0.33%
	24	Provincial Capital Commission	417,269	0.30%
23	25	Park Pacific Apartments Ltd	417,122	0.30%
29	26	Urban Meister	415,956	0.30%
25	27	Sophie Investments Inc	414,216	0.30%
	28	Concert Real Estate Corp	411,295	0.30%
27	29	Wilson Kool Ltd	410,409	0.30%
	30	s-8129 Holdings LTd	404,064	0.29%
			26,762,313	19.51%

Debenture Debt 2000 - 2004 (in thousands)

	2001	2002	2003	2004	2005
Gross Debt	$47,650	$51,889	$74,914	$84,206	$88,445
Less: Sinking Fund Payments	20,697	24,131	31,024	30,956	37,943
Net Debt	$26,953	$27,758	$43,890	$53,250	$ 50,502
General	$25,825	$26,780	$43,074	$52,547	$ 49,920
Sewer	1,128	978	816	703	582
	$26,953	$27,758	$43,890	$53,250	$ 50,502
Debt Servicing Costs					
Property Tax Supported	$5,520	$5,514	$5,970	$6,733	$ 7,338
Specified Area and Other	-	-	-		-
Sewer Utility	246	246	246	188	188
Total Debt Servicing Costs	$5,766	$5,760	$6,216	$6,921	$ 7,526
Population	74,125	74,125	74,125	74,125	74,125
Net Debt per Capita	$364	$375	$592	$718	$ 681
Debt Servicing per Capita	$78	$78	$84	$93	$ 102
Debt Service as % of Expenditures	5.29%	5.05%	4.90%	4.91%	5.16%
# of Households	21,080	21,564	21,564	21,564	21,564
Gross Debt Servicing Limit	$26,295,863	$27,465,559	$29,918,105	$32,434,819	$ 33,943,159
Debt Capacity Available	$23,673,897	$21,018,559	$22,847,958	$25,377,831	$ 26,165,985

Per Capita Net Debt



Source: Municipal Finance Authority
Source: Population: Statistics Canada

Statistical Information

Revenue and Expenses 2001 - 2005 (in thousands)

Revenue	2001	2002	2003	2004	2005
Property Taxes	$61,214	$ 64,640	$ 69,041	$ 73,708	$ 77,334
Payment In Lieu of Taxes	3,886	4,014	4,180	4,244	4,601
Sales of Services	22,313	26,596	26,050	28,004	34,736
Sale of Water	7,235	9,873	9,176	10,740	10,450
Licences and Permits	2,658	3,135	3,173	3,352	3,328
Fines	2,796	3,099	3,956	4,662	4,913
Rentals and Leases	577	647	774	810	848
Interest and Penalties	2,849	2,158	2,393	2,390	2,433
Unconditional Government Transfers	414	404	482	1,838	2,466
Other	3,745	4,453	3,803	5,145	5,247
Conditional Government Transfers	782	1,376	1,158	1,178	1,872
	$ 108,469	$ 120,395	$ 124,186	$ 136,070	$ 148,218
Expenses By Function					
General Government	$ 19,488	$ 19,854	$ 22,323	$ 24,387	$ 27,316
Protective Services	34,306	35,825	43,192	44,531	46,268
Transportation Services	17,386	13,981	12,504	11,680	12,600
Enviromental/Public Health	5,988	6,759	8,105	8,692	9,235
Community Planning	1,127	1,093	1,145	1,627	1,169
Parks Recreation and Cultural	21,222	23,645	27,193	36,443	36,026
Water Utility	6,982	9,852	9,435	10,332	9,988
Sewer Utility	2,480	2,993	3,069	3,324	3,004
	$ 108,980	$ 114,002	$ 126,966	$ 141,017	$ 145,607
Expenses By Object					
Salaries Wages and Benefits	$62,721	$64,873	$70,866	$72,850	75,320
Equipment	8,348	8,462	9,459	10,257	10,541
Materials Supplies and Services	27,868	30,444	36,597	45,701	48,896
Interest	3,319	3,453	3,852	4,573	5,151
Other	6,724	6,770	6,192	7,636	5,699
	$108,980	$114,002	$126,966	$141,017	$ 145,607

Source: City of Victoria Finance Department

Reserve Funds and Statement of Surplus 2001 – 2005 (in thousands)

Description	2001	2002	2003	2004	2005
Reserve Funds					
Equipment and Infrastructure	$15,131	$18,552	$31,485	$34,094	$ 24,132
Economic Development	991	1,216	1,852	2,198	2,553
Financial Stability					220
Debt Reduction	840	840	1,366	1,564	1,742
Self Insurance	2,550	3,543	3,149	3,640	4,131
Working Capital	3,039	3,039	3,130	3,209	3,289
Tax Sale Lands	3,547	4,560	3,824	3,524	8,693
Parks and Greenways Acquisition	-	257	434	608	1,364
Affordable Housing	-	-	-	250	506
Fringe Benefit Rate Stabilization	-	-	166	138	242
Water Utility	1,770	1,770	1,823	1,869	2,607
Sewer Utility					56
	$27,868	$33,776	$47,229	$51,094	49,534
Statement Of Surplus (Deficit)					
General Operating Surplus	$585	$1,000	$636	$444	$ 1,312
Water Operating Surplus	290	863	365	691	449
Sewer Operating Surplus	160	211	(56)	56	600
	$1,035	$2,073	$945	$1,191	2,361
Reserves Plus Surplus	$28,903	$35,850	$48,174	$52,285	$ 51,895

Reserves

Source: City of Victoria Finance Department

Statistical Information

2001 – 2005 Capital Budget Expenditures and Funding Sources (in thousands)

	2001	2002	2003	2004	2005
Expenditures					
Civic Facilities	$1,440	$1,183	$6,752	$14,573	$ 13,247
Miscellaneous	23	-	-	-	-
Equipment	5,078	3,205	4,229	2,861	3,988
Streets	2,718	1,621	2,376	1,849	2,152
Transportation and Development	424	348	277	1,161	1,107
Civic Services	39	44	23	23	38
Storm Drains	899	800	1,848	1,796	1,416
Parks	582	1,468	611	421	1,961
Corporate and Regulatory Development	-	-	-	-	-
Planning and Development	167	73	38	280	0
Shoreline Protection	48	252	12	5	20
Revitalization	650	136	7	880	0
Downtown Revitalization	68	650	290	116	54
Environmental Remediation	44	594	497	860	1,704
Water Utility	1,266	2,251	1,731	2,113	1,741
Sewer Utility	831	1,074	1,463	1,533	1,405
Victoria Conference Centre	431	118	262	144	214
	$14,707	$13,816	$20,417	$28,616	$ 29,047
Funding Sources					
Capital Tax Levy	$3,965	$3,657	$4,264	$5,220	$ 6,193
Carry Forwards	-	-	-	-	-
Connection Fees	139	174	177	231	205
Equipment and Infrastructure	6,644	3,994	4,491	5,356	3,470
Tax Sale Land Reserve	404	1,403	1,042	1,585	1,141
Development Cost Charges	-	-	80	609	75
Economic Development Reserve	134	375	-	-	-
Trust Funds	-	-	-	63	10
Grants and Partnerships	277	355	734	746	1,719
Debt	-	-	5,771	10,058	12,123
Water Utility	1,266	2,251	1,731	2,113	1,741
Sewer Utility	831	1,074	1,463	1,533	1,405
Victoria Conference Centre	431	118	260	144	281
Police Equipment and Infrastructure	616	416	405	959	683
	$14,707	$13,816	$20,417	$28,616	$ 29,047

Source: City of Victoria Finance Department

2005 Grants

Organization	Grants	City In-Kind Services	Exemption from Property Taxes	Total
2005 PIBC Conference	$3,000	$	$	$3,000
2nd Fort Victoria Scouts			5,075	5,075
5Th (BC) Field Regiment, Royal Can. Artillery		133		133
Aga Khan Foundation		222		222
Anawim Companions Society			2,805	2,805
Art Gallery of Greater Victoria	2,500	3,859	42,103	48,462
BC Domestic Operations Canadian Forces		353		353
Belfry Theatre Society			20,415	20,415
Blanshard Community Association		213		213
Blanshard Community Centre	18,638			18,638
Boys and Girls Club Services			22,726	22,726
Bread and Roses Collective	375			375
Burnside Gorge Community Association	50,280			50,280
Burnside Gorge Community Centre	2,000			2,000
C.E.D.C.O.	10,000			10,000
Canadian Cancer Society BC and Yukon Division		105	12,351	12,456
Canadian Housing Research Foundation			8,310	8,310
Canadian National Institure for the Blind	750		26,879	27,629
Canadian Pacific Lawn Bowling Club			17,506	17,506
Canadian Peacekeeping Veterans Association		69		69
Canadian Red Cross			44,414	44,414
Capital Mental Health Association			22,013	22,013
Capital Regional District		100		100
Casa Maria Emergency Housing Society			1,942	1,942
CASCA Integral Solutions Society	1,000			1,000
Century Toppers Car Club		2,377		2,377
CFO, Cathedral Summer Festival	3,000			3,000
Chinese Consolidated Benevolent Association		969	11,290	12,258
Church Of Jesus Christ Of Latter Day Saints		472		472
Clover Point Anglers Association			5,645	5,645
Community Arts Council of Greater Victoria	5,000			5,000
Community Social Planning Council	19,447			19,447
Craigdarroch Castle Historical Museum Society			32,716	32,716
Cridge Centre for the Family			26,408	26,408
Crown Victoria Association		115		115
Crystal Meth Victoria Society	1,000			1,000
Dart Coon Club Of Canada		185		185
Downtown Blanshard Advisory Committee	30,497			30,497
Downtown Victoria Business Association		18,707		18,707
Earth Walk Committee		593		593
Fairfield Community Association	66,020	733		66,753

Organization	Grants	City In-Kind Services	Exemption from Property Taxes	Total
Fairfield New Horizons	33,540			33,540
FASD Community Circle	5,000			5,000
Fernwood Community Association	8,590	69		8,659
Fernwood Community Centre	33,540		1,981	35,521
Fernwood Community Centre Association	640			640
Fernwood Community Centre Society	3,150			3,150
Fifty Fifty Arts Collective	2,000			2,000
Fire Fighters' Burn Fund			1,174	1,174
First Open Heart Society of BC			1,775	1,775
Foundation 2000 Plus	2,500	245		2,745
Girl Guides of Canada Southern Vanc. Island			2,941	2,941
Go Rowing and Paddling Association of Canada	1,300			1,300
Gorge Rowing Club (Foundation 2000 Plus Assoc)			16,408	16,408
Gorge Waterway Action Society	1,875			1,875
Greater Victoria Bike to Work Society	2,500	27		2,527
Greater Victoria Citizen's Counselling Centre			8,760	8,760
Greater Victoria Compost Education Centre	13,005	160		13,165
Greater Victoria Festival Society	19,500	13,565		33,065
Greater Victoria Film Commission	40,000			40,000
Greater Victoria Hospitality Awards	950			950
Greater Victoria Public Library	4,500			4,500
Greater Victoria Women's Shelter Society			4,834	4,834
Inter-Cultural Association of Greater Victoria	27,500	30,777		58,277
Intrepid Theatre Company	12,500			12,500
Island Equipment Owners Association		3,963		3,963
James Bay Anglers Association			3,662	3,662
James Bay Community Project	10,780			10,780
James Bay Community School Centre	33,540			33,540
James Bay Community School Society	6,160			6,160
James Bay Health and Community Services Society			9,102	9,102
James Bay New Horizons	33,540			33,540
John Howard Society of Victoria			2,222	2,222
Kiwanis Club of Victoria			4,348	4,348
Lifecycles Project Society	2,500	160		2,660
Lions Society		110		110
Maritime Museum	20,000			20,000
Multiple Sclerosis Society of Canada			25,432	25,432
NEED - Crisis and Information Line	23,396			23,396
Needs Of Victorians Society		18		18
North Jubilee Neighbourhood Association	1,950			1,950
North Park Neighbourhood Association	5,410	202		5,612

Organization	Grants	City In-Kind Services	Exemption from Property Taxes	Total
Oaklands Community Association	45,920			45,920
Oaklands Community Association's Lower Ryan Connector	20,000			20,000
Oaklands Community Centre		80		80
Octa Collective Society, The	5,000			5,000
Open Cinema Society	750			750
Open Door Inner City Ministry	31,000			31,000
Open Space Arts Society			10,222	10,222
Out of the Box Productions Society	3,750			3,750
Paradigm Arts		186		186
Recreation Integration Victoria	26,784			26,784
Rick Hansen Wheels In Motion Victoria Organizing Committee		1,563		1,563
Rock Solid Foundation	3,750			3,750
Rockland Community Association	3,480			3,480
Royal and McPherson Theatre Society			66,891	66,891
Royal Canadian Legion, Branch #7	1,553			1,553
Royal Victoria Yacht Club		3,282		3,282
Runners Of Compassion And Frontrunners Footwear	10,000	2,193		12,193
Salvation Army			42,235	42,235
Shekinah Homes Society			4,370	4,370
Single Parent Resource Centre			7,254	7,254
Societe Radio Communautaire Victoria	2,500			2,500
Society of St. Vincent De Paul of Vanc. Island			22,492	22,492
South Jubilee Neighbourhood Association	850			850
SportHost	7,500			7,500
St. John Ambulance	2,223			2,223
St. John Council for BC			25,461	25,461
Tall Ships Society	30,000	87,006		117,006
The Arthritis Society, BC and Yukon Division			21,732	21,732
The Great Canadian Beer Festival		104		104
The New VI		159		159
The Upper Room Society			8,462	8,462
Theatre Inconnu	1,250			1,250
Times Colonist Cycling Festival		1,971		1,971
TLC The Land Conservancy of BC	2,500		17,155	19,655
Tourism DMC	2,252,776			
Tourism Victoria	62,500			62,500
Trojan One		1,415		1,415
United Way			11,283	11,283
Unity Church of Victoria			19,231	19,231
V.I. Housing Assoc for the Physically Disabled			2,349	2,349
Vancouver Island Flower and Garden Festival Society	3,500			3,500

Organization	Grants	City In-Kind Services	Exemption from Property Taxes	Total
Vancouver Island Head Injury Society	3,750			3,750
Veterans Affairs		358		358
VIATeC	17,500			17,500
Victoria A.M. Association-Meet and Greet Program	1,250			1,250
Victoria Aids Resource And Community Service Society		368		368
Victoria Asian Heritage Month Society	1,250			1,250
Victoria Association For Community Living			3,958	3,958
Victoria BC SKA Society	4,000			4,000
Victoria Civic Heritage Trust	289,125			289,125
Victoria Confederation of Parent Advisory Council	30,000			30,000
Victoria Conservatory of Music	2,000		121,205	123,205
Victoria Cool Aid Society			38,444	38,444
Victoria Curling Club			22,799	22,799
Victoria Dance Series Society	3,500			3,500
Victoria Disability Resource Centre	2,500			2,500
Victoria Downtown Residents Association	3,070			3,070
Victoria Dragon Boat Society	7,000	6,639		13,639
Victoria Heritage Foundation	144,831			144,831
Victoria Highland Games Society	1,000	599		1,599
Victoria Immigrant and Refugee Centre Society	5,500			5,500
Victoria Independent Film and Video Festival Society	3,500			3,500
Victoria International Development Education Assoc	2,250			2,250
Victoria International Running Society		5,569		5,569
Victoria Jazz Society	11,000	2,070		13,070
Victoria Marathon Society		13,301		13,301
Victoria Native Friendship Centre			2,739	2,739
Victoria Pride Society		3,628		3,628
Victoria R.E.A.D. Society			5,657	5,657
Victoria Silver Threads	33,540			33,540
Victoria Society for Educational Alternatives	1,100			1,100
Victoria Symphony Society	4,000	7,975		11,975
Victoria Theatre Guide and Dramatic School			12,928	12,928
Victoria Volunteer Bureau	8,580			8,580
Victoria West Community Association	10,720			10,720
Victoria West Community Y	43,540			43,540
Victoria Women In Need Society			9,763	9,763
Victoria Women's Transition House Society			7,104	7,104
Victoria Youth Empowerment Society	12,000		12,211	24,211
VIHA			27,711	27,711
YM-YWCA of Greater Victoria	20,000		39,792	59,792
Total	$3,747,465	$216,965	$948,685	$4,913,114

The City of Victoria
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7.6	11,484	933	1,382	13,122

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